

Audit, Governance and Standards Committee

Monday 5 February 2024

6.30 pm

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

Membership

Councillor Barrie Hargrove (Chair)
Councillor John Batteson
Councillor Gavin Edwards
Councillor Sarah King
Councillor Hamish McCallum
Councillor Graham Neale
Councillor Andy Simmons

Reserves

Councillor Cassandra Brown
Councillor Sam Foster
Councillor Kimberly McIntosh
Councillor David Watson

INFORMATION FOR MEMBERS OF THE PUBLIC

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Contact

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

Members of the committee are summoned to attend this meeting

Althea Loderick

Chief Executive

Date: 26 January 2024



Audit, Governance and Standards Committee

Monday 5 February 2024

6.30 pm

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

Order of Business

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	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 - 5
	To approve as a correct record the minutes of the open section of the meeting held on 15 November 2023	

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	The assistant chief executive – governance and assurance to attend the committee to discuss:	
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	- focus on HR	
	- member development framework	
	- member code of conduct	
	- MOWG	
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ANY OTHER OPEN BUSINESS AS NOTIFIED AT THE START OF THE MEETING AND ACCEPTED BY THE CHAIR AS URGENT

EXCLUSION OF PRESS AND PUBLIC

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

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

PART B - CLOSED BUSINESS

NOMINATIONS FOR CIVIC AWARDS UNDER ITEM 21

Date: 26 January 2024



Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Wednesday 15 November 2023 at 7.30 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:	Clive Palfreyman, strategic director of finance David Quirke-Thornton, strategic director of children's and adults' services Doreen Forrester-Brown, assistant chief executive, governance and assurance Alasdair Smith, director of children's services Kate Bingham, senior finance consultant Amarjit Uppal, chief accountant Tim Jones, finance manager Allan Wells, specialist governance lawyer Aaron Winter, BDO Angela Mason-Bell, BDO Joanne Brown, Grant Thornton Nick Halliwell, Grant Thornton Virginia Wynn-Jones, constitutional team

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Sarah King, from Desmond Vincent, assistant director of building safety, and from 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.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

5. MINUTES

The minutes of the audit, governance and standards committee of 6 September 2023 were agreed as a correct record.

6. GOVERNANCE CONVERSATION: CHILDREN'S AND ADULTS' SERVICES

David Quirke-Thornton, strategic director of children's and adults' services, addressed the committee. The committee had questions for the strategic director.

Officers undertook to bring a written update on the repairs service to a future meeting.

Members thanked the strategic director for attending the meeting.

7. RESPONSE TO INTERNAL AUDIT SCHOOLS SUMMARY REPORT 2022-23

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

Officers undertook to add an update report on this to the audit, governance and standards committee's 2024-25 workplan.

Officers undertook to circulate an update on the senior management team structure in children's and adults' services to all members.

Officers undertook to provide a briefing note on maintained nurseries to members of the audit, governance and standards committee.

RESOLVED:

1. That the committee noted the report.

8. PROGRESS REPORT ON THE WORK OF INTERNAL AUDIT: NOVEMBER 2023

BDO, the council's internal auditors, introduced the report. Members had questions for the internal auditors.

The internal auditors undertook to bring an update on the schools reports due in May 2023 and early June 2023.

RESOLVED:

1. That the committee noted the report.

9. ANTI-FRAUD PROGRESS REPORT NOVEMBER 2023

BDO, the council's internal auditors, introduced the report. Members had questions for the internal auditors.

RESOLVED:

1. That the committee noted the report.

10. WHISTLEBLOWING COMPLAINTS AND OUTCOMES

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

The committee thanked Allan Wells for his contributions and support, on his upcoming retirement.

RESOLVED:

1. That the committee noted the report.

11. 2022-23 EXTERNAL AUDIT PLAN

Grant Thornton, the council's external auditors, introduced the update. Members had questions for the auditors.

RESOLVED:

That the committee noted the audit progress report and sector update, and external audit plan for 2022-23 for the council and pension fund.

12. 2021-22 STATEMENT OF ACCOUNTS INCLUDING THE PENSION FUND AND AUDIT FINDINGS REPORT

Grant Thornton, the council's external auditors, introduced the report. Members had questions for the auditors.

Grant Thornton undertook to ensure the 2021-22 accounts were completed by end of December 2023, and the 2022-23 accounts by the end of March 2024.

RESOLVED:

That the Audit, Governance and Standards Committee:

- a. considered the matters raised in Grant Thornton's interim audit findings report for 2021-22 (appendix A of the report) before approval of the council's main accounts

- b. noted the adjustments to the main accounts as set out in pages 22-23 of the interim audit findings report (appendix A of the report)
- c. considered the matters raised in the Pension Fund audit findings report 2021-22 (appendix B of the report) prior to approval of the Pension Fund accounts
- d. noted the adjustments to the Pension Fund accounts as set out in page 14 of the audit findings report
- e. approved the Statement of Accounts 2021-22 (appendix C of the report), subject to any final changes required by the conclusion of the audit, being delegated to the strategic director of finance in consultation with the chair of audit, governance and standards committee
- f. delegated approval of letters of representation for the council and pension fund as required by Grant Thornton in order to conclude the audit of 2021-22 statement of accounts.
- g. agreed to receive a written update of any changes in the statement of accounts for the main accounts and pension fund at the next meeting of the committee for noting.

13. TREASURY MANAGEMENT STRATEGY AND CAPITAL STRATEGY 2024-25

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

RESOLVED:

That the Audit, Governance and Standards committee noted:

- a. The draft Treasury Management Strategy and Capital Strategy for 2024-25, and its appendices:
 - Appendix A - Capital Strategy 2024-25 - 2033-34
 - Appendix B - Treasury Management Strategy 2024-25
 - Appendix C - Annual Investment Management Strategy 2024-25
 - Appendix D - Annual Minimum Revenue Provision Statement 2024-25
 - Appendix E - Prudential Indicators 2024-27.
- b. The intention to include Green Bonds (Community Municipal Investments) as a source of debt financing in relation to climate-related activities (see Appendix B of the report).

14. INDEPENDENT MEMBERS OF THE AUDIT, GOVERNANCE AND STANDARDS (CIVIC AWARDS) SUB-COMMITTEE: RECOMMENDATIONS

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

RESOLVED:

That the committee:

1. noted the criteria set out in the report for inviting individuals to join the audit, governance and standards (civic awards) sub-committee ('the civic awards sub-committee') for evaluating nominations for the 2023 Civic Awards.
2. considered any recommendations they would have for individuals or groups to be invited to join the civic awards sub-committee.

Meeting ended at 9.00 pm

CHAIR:

DATED:

Item No. 7.	Classification: Open	Date: 5 February 2024	Decision Maker: Audit, Governance and Standards Committee
Report title:		Southwark Council Corporate Peer Challenge	
Ward(s) or groups affected:		All	
From:		Althea Loderick Chief Executive	

RECOMMENDATIONS

1. That the committee note:
 - The Local Government Association Corporate Peer Challenge Report
 - Council action plan agreed by Cabinet on 17/01/24

BACKGROUND INFORMATION

2. In October 2023, Southwark Council welcomed a team from the Local Government Association (LGA) to undertake a Corporate Peer Challenge (CPC). Peer challenges are delivered by experienced elected member and officer peers.
3. Southwark’s Peer Challenge Team was led by Tom Riordan CBE, Chief Executive, Leeds City Council and Cllr Bev Craig, Leader, Manchester City Council.
4. All councils are given the opportunity to have one of these reviews every 4 – 5 years as part of a local government approach to sector led improvement and mutual support.
5. The LGA team spent three days on site, and prepared by reviewing a range of documents and information in order to ensure they were familiar with the council and the challenges it is facing.
6. During their time on site, they gathered information and views from more than 35 meetings, in addition to further research and reading. The CPC team spoke with more than 100 people, including a range of council staff, members and external stakeholders.
7. Some team members were given a tour of Peckham Rye station and parts of the wider Peckham area, including Peckham Library and key community assets

8. The report attached at Appendix 1 provides a summary of the peer team's findings, including the eleven recommendations.

KEY ISSUES FOR CONSIDERATION

9. There is an expectation that all councils undertaking a Corporate Peer Challenge will commit to publishing the feedback report and produce an action plan which responds to the recommendations in the report.
10. The recommendations are important in supporting the council's commitment to continuous improvement and transparency.
11. The action plan at appendix 2 sets out what the council will be doing to respond to the recommendations, including specific actions, the timeframe for delivery and which senior officer will be responsible for delivering them.
12. The recommendations reference the ongoing priority of housing repairs and the HRA. The report notes the progress being made in these areas, and provides a recommendation that this focus and work continue at pace.
13. Amongst the early actions that the council will take is the establishment of a programme to improve services and support to members, including improved processes for members' enquiries and a member's support team.
14. In response to the recommendations, we will also develop a new internal change programme called Future Southwark. This will ensure that staff are supported to ensure that they have the skills, tools and processes to do the best job possible for our residents.
15. The CPC team will return in the summer to discuss progress.

Policy framework implications

16. The CPC report responds to the themes in the Council Delivery Plan, the upcoming 2030 Strategy, and the council's approach to organisational development. The report and action plan require no changes or alterations to the Policy Framework.

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

Community impact statement

17. The CPC process focuses on the council's ability to serve and work with its residents. The recommendations will be utilised to support the council to deliver more efficient, resilient and resident focused services.

Equalities (including socio-economic) impact statement

18. The CPC Report reflects the council's current practices for tackling inequalities and Southwark Stands Together and makes recommendations for improved practice. The feedback from the report will be used to improve practice and reporting.

Health impact statement

19. There are no direct health implications from this report.

Climate change implications

20. There are no direct climate change implications from this report.

Resource implications

21. The response to the CPC recommendations will be carried out within existing resources.

Legal implications

22. There are no Legal comments.

Consultation

23. The LGA produced the CPC report as a result of multiple conversations with residents, staff, members and stakeholders.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

24. There are no procurement implications or decisions resulting from this report.

Assistant Chief Executive, Governance and Assurance

25. The Assistant Chief Executive – Governance and Assurance has been consulted in the drafting this report.

Strategic Director of Finance

26. The Strategic Director of Finance has been consulted in the drafting this report.

Other officers

27. Members of the Council's Corporate Management Team have been involved in the creation of the action plan.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Title of document(s) LGA Corporate Peer Challenge Process	Local Government Association	
https://www.local.gov.uk/our-support/council-assurance-and-peer-support/peer-challenges-we-offer/corporate-peer-challenge-4		

APPENDICES

No.	Title
Appendix 1	LGA Corporate Peer Challenge Report
Appendix 2	Southwark Corporate Peer Challenge Action Plan
Appendix 3	Southwark Council Corporate Peer Challenge Position Statement

AUDIT TRAIL

Cabinet Member	Cllr Kieron Williams, Leader of the Council	
Lead Officer	Althea Loderick, Chief Executive	
Report Author		
Version	Final	
Dated	03/01/24	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant Chief Executive, Governance and Assurance	Yes	Yes
Strategic Director of Finance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	25/01/24	

LGA Corporate Peer Challenge

Southwark Council

23-25 October 2023

Feedback report



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1. Executive summary

Overall, the London Borough of Southwark is a good council, in a vibrant place at the heart of a global city. The new political and managerial leadership brings energy for change, both internally and externally of the organisation. The council is working through a transition from the previous to the current leadership and is developing plans to deliver new strategic priorities. It has a bigger role to play in the sector both in and beyond London.

The council has a strong track record of physical regeneration, particularly in the north of the borough which is known for a number of new and repurposed iconic buildings, and which attract large numbers of people to visit and work in the borough. It performs well in both adults' and children's social care, has built an impressive volume of new council homes, its local economy is thriving, and joint work on community safety is well regarded.

There are clear challenges facing the council which are having a significant impact on residents' quality of life. These include the availability of homes to rent, the need to tackle high volumes of council housing repairs, and the cost-of-living crisis affecting residents. In the light of the challenging financial and demand led pressures that many councils face, now is the right time to further refine and focus the council's strategic priorities to ensure that they continue to be deliverable.

Finances are relatively stable, with high levels of reserves which partly reflect the success of urban regeneration and the income the council can generate. However, in keeping with challenges across local government, there are uncertainties for the medium and long-term sustainability of the budget, as well as a trend towards increasing overspending which need to be addressed. The most urgent of these are housing related: the Housing Revenue Account (HRA) is in deficit and the large capital Housing Investment Programme is increasingly affected by interest rate pressures and construction inflation. The council is assessing the changing realities of its financial landscape and how this will affect what can feasibly be delivered in the medium term: the approach should ensure that councillors fully understand this changing landscape and how it relates to the council's priorities and delivery.

Until recently the council has had fairly autonomous departments and a lighter corporate centre. But the new leadership of the council, the context of greater

financial challenge for residents and the council, and the ambition for the new 2030 Strategy to bring a place leadership approach to delivery brings a different focus to the organisation. This brings new expectations and demands on how officers should respond and operate, which in turn requires more co-ordination across cross-cutting areas of working, and more cohesion at the senior level.

Members and officers expressed frustrations about the way some back office but important core functions operate, and which sometimes feel as if they get in the way of prompt responses to residents, as well as streamlined working. More emphasis is needed on getting the basics right including internal communications; the human resources (HR) function; organisational development; what is expected of staff as new priorities have emerged; how individual and collective performance is recorded and reported; and how requests from councillors, MPs and residents are handled and responded to. Many people in the organisation want it to perform and respond better and quicker to external demands in a more consistent and coherent way.

As the overall vision of Southwark 2030 is developing there is an opportunity to utilise it to reiterate and refine political priorities. Consideration needs to be given to how best to deliver priorities within the resources available, underpinned and supported by a change programme that enables people to respond appropriately within agreed parameters, and which is coordinated at the highest levels. Engaging with residents and partners through the next phase of this programme will be important.

Southwark 2030 is welcomed as an opportunity to set out what the council will do next, who is involved, and how staff and partners can deliver through a strategic change programme which galvanises the organisation and the borough. Partners hope it can help to build on positive changes in the council's relationship with them and communities to encourage more consistent engagement across the borough. Now would also be a good time to explore how the council's senior political and managerial teams want to work together, to clarify each other's expectations, behaviours, boundaries and success measures, so that a new working relationship can be forged. This will be important if delivery is to be sustained and more outcomes are to be achieved.

2. Key recommendations

There are a number of observations and suggestions within the main section of the report. The following are the peer team's key recommendations to the council:

2.1 Recommendation 1

Use Southwark 2030 to reinforce priorities (the what) and focus the change programme (the how)

2.2 Recommendation 2

Introduce a clear, resourced change programme with ambition, values and behaviours, linked to performance and internal success measures, e.g. equality, diversity and inclusion (EDI)

2.3 Recommendation 3

Create a new, well-owned corporate centre that can make it easier to work in the council and drive transformation, prioritising internal communication

2.4 Recommendation 4

Enhance the Anchors network and introduce key account management for the top 50 council partners

2.5 Recommendation 5

Maintain prudent financial management with a clear and well-owned Council Delivery Plan

2.6 Recommendation 6

Prioritise the housing repairs improvement plan and stabilise the HRA via strategic oversight of the capital programme and revenue budget

2.7 Recommendation 7

Streamline informal governance structures, improve the ward member support function, standardise the member-officer briefing arrangements and Cabinet/Corporate Management Team (CMT) engagement

2.8 Recommendation 8

Improve resident access for requests, complaints, Freedom of Information (FOI) and Subject Access Requests (SARs) to enable effective performance monitoring and feedback

2.9 Recommendation 9

Agree a digital strategy that utilises technology, artificial intelligence (AI) and innovation to drive change, with sharper use of data to improve performance and insight to understand residents' experiences

2.10 Recommendation 10

Clarify the success measures for the pivotal initiatives of People Power, Closing the Gap, and Neighbourhoods. Be clear on the intended outcomes of these key programmes

2.11 Recommendation 11

Play a bigger role in London and national sector leadership

3. Summary of the peer challenge approach

3.1 The peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected the focus of the peer challenge and peers were selected on the basis of their relevant expertise. The peers were:

- Cllr Bev Craig, Leader, Manchester City Council
- Tom Riordan CBE, Chief Executive, Leeds City Council
- Cecilie Booth, Executive Director of Corporate Services and Section 151 Officer, Peterborough City Council
- Piali Das Gupta – Strategy Director: London's Future, London Councils
- Tunde Olayinka – Executive Director, Communities and Skills, GLA
- Thomas Cattermole – Director of Customer Access, London Borough of Brent
- Emma McGowan – Director of Design and Transformation, Surrey County

Council

- LGA Peer Challenge Manager – Judith Hurcombe

3.2 Scope and focus

The peer team considered the following five themes which form the core components of all Corporate Peer Challenges. These areas are critical to councils' performance and improvement.

1. **Local priorities and outcomes** - Are the council's priorities clear and informed by the local context? Is the council delivering effectively on its priorities?
2. **Organisational and place leadership** - Does the council provide effective local leadership? Are there good relationships with partner organisations and local communities?
3. **Governance and culture** - Are there clear and robust governance arrangements? Is there a culture of challenge and scrutiny?
4. **Financial planning and management** - Does the council have a grip on its current financial position? Does the council have a strategy and a plan to address its financial challenges?
5. **Capacity for improvement** - Is the organisation able to support delivery of local priorities? Does the council have the capacity to improve?

In addition to these questions, the council asked the peer team to provide feedback on the following issues, which have been referenced in the five main areas outlined above:

- How to further bolster partnership readiness to work together collaboratively and at pace to deliver the 2030 vision
- How to further strengthen the council's culture in ways that empower, support and inspire the workforce to work in collaboration with residents
- What more needs to be done to build organisational capacity and ways of working to deliver at pace?

- What critical success factors should be considered as you start on the transformation programme
- How to balance being ambitious, innovative and a leading voice in local government with tackling the basics of providing consistently good services to residents?

3.3 The peer challenge process

Peer challenges are improvement focused; it is important to stress that this was not an inspection. The process is not designed to provide an in-depth or technical assessment of plans and proposals. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared by reviewing a range of documents and information in order to ensure they were familiar with the council and the challenges it is facing. The team then spent three days onsite at Southwark Council, during which they:

- Gathered information and views from more than 35 meetings, in addition to further research and reading.
- Spoke to more than 100 people including a range of council staff together with members and external stakeholders.
- Some team members were given a tour of Peckham Rye station and parts of the wider Peckham area, including Peckham Library and key community assets

This report provides a summary of the peer team's findings. In presenting feedback, they have done so as fellow local government officers and members.

4. Feedback

4.1 Local priorities and outcomes

Southwark is a borough of contrasts, with significant wealth and private investment, as well as some of the most deprived neighbourhoods in the country which record some stark health inequalities. It has a very diverse population which is younger than the London and England average, with around a quarter of residents from the Black ethnic group, one of the largest Latin American communities in England, and with over 80 languages being spoken in the borough. It has the fourth largest LGBTQ+ population in England.

There are some strong services being delivered by Southwark Council. Its Children's Services were rated by Ofsted as Good in the most recent inspection of September 2022, and 98% of the borough's schools are rated as Good or Excellent. On the metrics provided through LG Inform, the council's service performance largely hovers around the average when compared to other London Boroughs¹.

Councillors are proud of Southwark's track record on physical regeneration and projects to develop support for communities. This includes the big iconic schemes that the borough is known for at Borough and Bankside and others planned and underway at Canada Water, Old Kent Road, and Elephant and Castle. The ongoing restoration of Peckham Rye Station includes co-design with local people. Projects such as The Nest, which is a mental health wellbeing advice and support service for young people aged 13-25, show high levels of outcomes and satisfaction from service users.

Over the past year the council has worked alongside communities and partners to develop a renewed vision for 2030, due to be reported to Cabinet in Spring 2024. Its development has involved a wide range of local residents, partners, businesses and stakeholders, and the overall approach is positive and energetic.

The Fairer, Greener, Safer Delivery Plan 2022-26 (CDP) was agreed by Cabinet in September 2022 and sets out how the organisation will deliver the administration's political commitments to tackle inequalities in health, opportunities and deprivation. It has seven stated priorities to address the rising cost of living, building more council

¹ [Oflog Dashboard Report for London Borough of Southwark | LG Inform \(local.gov.uk\)](#)

homes, reducing carbon emissions, protecting both physical and mental health, and creating new jobs and opportunities. At the headline level these are widely recognised both internally and externally of the council. Delivery is shaped by three broad strands of People Power, Closing the Gap and Neighbourhoods, each led by a Strategic Director, and with the overall aim of delivering a cultural shift with a stronger whole council approach.

People Powered aims to bring a more resident centric approach to how the council does its business, and staff are buying into its concept of treating residents as if they were their own family members. Closing the Gap aims to reduce gaps in inequality, poverty, racism and discrimination, and an independent research study is underway to gain more insight into how these areas affect Southwark's residents. The Neighbourhoods programme focuses on 10 neighbourhood areas, each to have a vision and action plan, underpinned by funding linked to local priorities.

There are aspirations at the highest levels of political and managerial leadership to see faster delivery and action relating to these priorities. What is less clear however is how these link to individuals' performance and their roles in delivery. Making more overt connections between these through staff appraisal will help employees and the organisation more widely to focus on realising the high-level ambitions.

Southwark Stands Together is one of the strands of the CDP. Developed in response to community concerns about Black Lives Matter it is regarded as a success by participants. The peer team felt that this could be expanded further to incorporate broader equality, diversity and inclusion ambitions and targets, which more clearly reflect the diversity of the borough, for example the growing Latin American population, and residents from the LGBT+ community.

An area of significant concern and focus for residents and the council is the quality and maintenance of council housing. Southwark is the largest local authority landlord in London, with around 40,000 dwellings and around 27% of the borough's population living in council owned properties. Its new build rate is impressive for social housing, with over 1,000 new homes being built for rent each year and in 2021 the council built the largest number of council homes in England. However, owning a large housing stock brings pressure on maintenance and repair to a reasonable standard, and backlogs and costs have been subjected to a recent focus in the

context of challenging financial circumstances.

A Repairs Improvement Residents' Board (RIRB) with Cabinet member input has been created, with the purpose of driving further improvements to the service and managing expenditure. There is still more progress to be made, as partners, staff and councillors report that housing repairs are a live issue for residents. The Housing Ombudsman also issued reports into two cases of maladministration at Southwark earlier in 2023. Perceptions locally are that the service is beginning to improve, and this is reflected in feedback from residents, and some small reductions in the number of complaints received when comparing recorded data from March 2022 with March 2023.

There are mixed views about how the council manages its performance. Staff told the peer team about different systems which don't necessarily align with each other, as well as a range of initiatives which are aspirational rather than set up to be target or outcome focused, which are then in turn hard to show delivery against. They also reflected that an enhanced focus on performance would help to further drive up quality and catch risks earlier.

There is a clear ambition at the highest level for pace and delivery. It will be important for the council to prioritise so that it can focus on the quality and timeliness of delivery, and to articulate measures of success so that officers and the organisation more broadly can plan to deliver. These should be based on SMART targets which are outcome focused, agreed and widely understood. They also need to be underpinned by agreed resources which support delivery. As part of that approach, consideration should be given to what the council will stop doing so that the headline priorities are within reach of being achieved.

4.2 Organisational and place leadership

The political leadership has a clear vision and ambition for what Southwark should be delivering for its residents and communities. Partnership working is regarded as good by key stakeholders, who feel engaged with the council and what it is aiming to achieve through this vision. Partners feel the council interacts well with them at the most senior levels and speak of positive strategic relationships.

Partners generally find it difficult, however, to stay on top of all of the different interactions and approaches across various council teams, and sometimes it can feel that engagement is ad hoc and transactional. Some partners feel they are approached on many different things and would value better prioritisation to make best use of their time and resources. They describe very solid engagement feeling they were on an equal footing during the Covid-19 response and the cost-of-living crisis, with concerns that some of that energy has dissipated as the council and its communities have settled into post-pandemic working. The council has a good relationship with the voluntary and community sector (VCS) and the latter is keen for more ongoing engagement, working alongside the council as equal partners, with consideration given to how to enable everyone to play a full role.

There is a strong appetite to focus more on delivering together and partners were really positive about the council's ambitions, but some have concerns about a proliferation of strategies and priorities. They have a keen interest in helping to translate strategy into action, even if that action starts off through a modest approach.

The overall approach to partnership working could be improved by undertaking some detailed analysis and mapping of stakeholder relationships, and then introducing a key account management approach with named lead officers for each key relationship.

Many people participating in the peer challenge showed personal knowledge and commitment to improving their understanding of and delivery for local communities. At the organisational level there is a clear focus on tackling inequalities, which is evidenced by the articulation of the 'closing the gap' strategy. This has resulted in minority groups being given extra support to thrive, such as subsidised rent and business advice for BAME micro businesses.

However, there are concerns of a lack of parity or voice for all of Southwark's communities given the evident diversity across the borough. Clear metrics are missing for success measures on EDI, so it will be difficult for the council to show it is making progress in this area, what it will deliver and when, and how it plans to meet the needs and aspirations of residents. Looking externally at how others have done this well will also support continuous improvement in this area.

There are examples of good co-production with residents and communities, leading to 'you said, we did' outcomes, particularly in relation to the construction of new homes and some place-making initiatives. There is a desire to involve young people voices in shaping the services that affect them with the Young Advisers initiative being well received. Young people for example reflect on some highly positive interactions with the Youth Justice service, citing tangible and exemplary support which has made a profound difference to their lives and life chances.

However, there are concerns that engagement with residents, especially the underserved can be mixed and sometimes inconsistent. Young people feel that engagement can be improved through a better understanding of the barriers they face to participation, for example young carers and their needs. And more widely stakeholders would like improved feedback loops to inform participants of how their involvement and engagement has been heard. The council has showed a keen interest in developing new, more participatory ways of engaging with its residents and communities; however it must work harder to hear the rich diversity of voices in the borough. This is an area where a focus on internal and external best practice, and stronger strategic leadership and co-ordination will be crucial if the council is to meet its ambition of being people powered.

Although Climate Change considerations have been included in the signing off process for decision making reports, the overall approach to climate change appears to have a lower profile than some of the council's stated priorities.

4.3 Governance and culture

It is clear that staff, councillors and partners are proud of Southwark and what has been achieved to date. Communities feature strongly in the council's approach, and the commitment to improving the quality of life for residents is overtly stated.

How the council works at the most senior levels is undergoing a transition. There is a strong directorate culture which has supported good quality service provision. However, the new leadership, post Covid-19, is reflecting the need for the council to act as one council in line with modern service expectations, increased service

demand, and the challenging financial burdens placed on residents and council services.

How members and officers work together across the organisation is not always consistent. Some officers describe member behaviours that can border on micro-management, yet others describe supportive councillors who are open to challenge and advice as well as being inspirational to work with. Similarly some members indicated frustrations with not getting a timely or adequate response to their queries from officers, whilst others felt the quality of officer support they receive is very strong.

How these relationships work at the strategic and frontline levels is at times at odds with the aspiration for an empowering culture which enables staff to flex and deliver People Power. Values and behaviours and the member-officer protocol and expectations, as well as the council values and behaviours, should be revisited. These mixed views point toward a need to invest in building member-officer relationships outside of everyday operational matters to establish and deepen trust and shared purpose.

The ongoing work on Southwark 2030 presents an opportunity for closer and clearer working between the Corporate Management Team and the Cabinet. Taking some time to reflect on roles and responsibilities, values, behaviours, priorities, what will be delivered, by whom and when, will be invaluable if delivery is to be sustained, and to encourage a deeper approach to risk and challenge. Expectations from the political leadership need to be clarified through a series of honest and realistic conversations, including what is appropriate and realistic given the changing profile of the council's resources. In thinking about how the council can better prioritise, consideration should also be given to what can be delivered later, or in a different way, so that capacity is not overstretched and the potential for frustrations is minimised.

There have been recent changes in key positions within the CMT which means new working relationships and understandings will need to be forged across the senior leadership team, as well as between the political and managerial teams. Care needs to be taken to ensure that the changes at CMT level do not become destabilising or

become a distraction for staff when the organisation is expecting them to deliver at pace.

Delivery of the 2030 vision also needs to be underpinned by clear governance structures which set out how partners, staff and residents can engage. The current informal boards arrangement is unclear, and the temptation to add more arrangements without reviewing what is already in existence should be avoided. Streamlining the informal boards will also help to contribute to better use of the council's officer and member capacity.

Complaints are discussed at CMT through a quarterly performance report including analysis of members' enquiries, complaints and information requests, and the top 10 service areas are presented for discussion. In June 2023 the Audit and Governance Committee received a report on members' enquiries which followed a full process review during Spring 2023 with a refreshed framework being rolled out. Some members expressed frustration to the peer team about how their casework enquiries are handled, voicing concerns about the agreed standard for responses, the amount of time it can take to get responses from some officers, and an overall inconsistency of approach.

Officers also expressed concerns about how to balance members' enquiries with direct enquiries from residents, and which ones should take precedence as part of an overall approach to customer service. The member-officer protocol states that members should direct enquiries to staff through senior management but there appear to be differing approaches across the directorates, which may contribute to members' and officers' perceptions of inconsistency. There is no "one size fits all" remedy to requests for service or complaints, irrespective of their source, but taking some time to talk through the issues involved between members and officers may help to develop solutions. Greater rigour is now being applied to member enquiries through the casework system but members have yet to experience the benefits.

At the high level there is enthusiasm and commitment for the concept of People Power, but there are some concerns about what this means for ward councillors and

their roles when residents and communities are playing a greater role. This should be openly discussed and resolved.

4.4 Financial planning and management

The council's general finances are relatively stable, and budget pressures have been generally managed well in the past few years. Revenue reserves appear to be healthy, with a General Fund balance of combined general and earmarked reserves of £235m on 31st March 2023. The 2023/24 budget was balanced by using £2.5m of earmarked reserves, which is also relatively small when compared to some other upper tier councils. The overall level of reserves for the council are lower than the average across London when compared to the council's net revenue budget.

There are however challenges both in the short and longer term. During 2022/23 there were overspends arising in some service areas, reflecting in part the impact of a higher than anticipated pay award. Homelessness, home to school transport and increasing numbers of households with no recourse to public funds, of which the latter cost £6.2m in the last financial year, are contributory factors in the forecast.

Southwark has around 55,000 properties in the HRA with a total combined income and expenditure of around £250m per annum. There has been overspending on the Housing Revenue Account for the last 2 years and in October 2023 an in-year overspend forecast was of £13.8m, and despite increases to the budget for the current financial year these have been exceeded by inflationary pressures and the impact of government policy such as the revised definition of high rise property. Budget gaps for the HRA have been identified of a total of £62m for the 3 years to 2026-27. HRA reserves have declined over the last 2 financial years and if the forecast overspend is realised, the reserves will reduce again. Given the overall size of the council's HRA, its HRA reserves are low.

The HRA capital programme is large with committed spending of £1.7bn and whilst the council's housing ambitions are high, so are its borrowing requirements. If the housing programme is to be delivered over the next 10 years, this will require a further £1bn of borrowing. Financing the Housing Investment Programme also creates more pressure on the HRA due to the revenue costs of borrowing and the capping of rents in recent years. Officers are developing a plan to manage the in-year overspending and a medium-term strategy to improve financial stability and

have flagged the need to drive greater efficiency through HRA in order to meet the costs of borrowing. Members also need to ensure they understand and fully consider the risks associated with such high levels of borrowing.

Getting housing budgets onto a more sustainable path is a high corporate priority. A financial plan is in development. To do so will require a balancing of ambition and meeting needs particularly for people in temporary accommodation with the practical reality of what is available, affordable and sustainable, and may require some difficult political decisions. This may also require accepting a different balance of social and market value homes to support the overall viability of schemes. A spending moratorium on the capital and revenue aspects of the HRA, a recruitment freeze in the Housing Service and a Housing Board meeting fortnightly were introduced in October 2023. An Asset Management Transformation programme is underway.

The Dedicated Schools Grant (DSG) has been in deficit for a number of years and by the end of 2021/22 the cumulative deficit was £21.7m. The council has reached a Safety Valve Agreement with the Department for Education (DfE) through which it received £9.2m during the last financial year and where the DfE will pay off historic deficits as long as the council delivers against its agreed mitigation plan. Early progress has been positive.

The overall capital programme is large and a key issue is how this will be funded. At the February 2023 budget meeting reference was made to needing a full refresh of the capital programme in light of the high interest rate and high inflation environment. This is currently being put in place and is due at the February 2024 budget meeting.

A new Medium Term Financial Strategy has been created which largely outlines the issues and policies at a strategic level and provides the framework for a more detailed financial plan outlining year by year assumptions and pressures. Until this year the MTFS only included a one-year projection, but Cabinet in July 2023 agreed a 3-year budget planning process and outlook. October 2023 reporting identified forecast budget gaps of £23.8m for 2024/25, £42.8m in 2025/26 and £54.7m in 2026/27. Work has since commenced to establish how the council will address these gaps beyond the usual annual budget cycle.

The council is currently developing a new, three year strategic budget which will be agreed in February 2024. As part of this process, the new Strategic Director is

leading the organisation through a significant budget challenge process which is working to identify £50 million of budget savings over the course of the MTF5.

A full consultation and scrutiny process is planned in advance of the final 2024/25 budget setting meeting which will seek feedback and challenge financial risk, assumptions and savings options for the 2024/25 budget round.

The council's constitution requires the council assembly to agree the capital strategy and programme at least once every four years, and in February 2019 council assembly agreed a 10-year capital programme of £792m and a housing investment programme of £2.1bn. Given the nature of some of the challenges ahead and the risks associated with them, it would be worth considering increasing the frequency and visibility of the programme to members, over and above what is reported to Cabinet.

The last audited accounts for the council are from 2020/21 and these were published in September 2023. Unaudited accounts have been published for both 2021/22 and 2022/23. This is common across local government due to the acknowledged shortage of trained auditors and the changes to accounting requirements which are not a good fit with local authorities.

There are a range of projects which the council has developed but which don't recover their costs, for example the multi-storey car park in Peckham, which acts as a valued community hub. Members and officers are keen to innovate and empower the community to design to long standing issues and, in the process, promote lasting positive change. This is laudable. However, a wider and shared understanding is needed both within the council and with external stakeholders of how long investment can be safely sustained given continued resource pressures and mounting demand across a number of services.

An agreed set of principles/process to review whether to maintain investment could provide a structured and transparent way to take decisions about the future of these types of projects.

Overall, the council's general financial position is relatively strong with increased general fund reserves over the past few years. However, there are growing pressures including SEN transport, children's social care and temporary accommodation where more grip and focus are needed, notwithstanding that these

are demand-led services over which the council has limited leverage. Like other councils, Southwark faces uncertainties about future funding which are difficult to plan for. Clear budget processes for members have been established but some members don't yet show that they fully appreciate how much will need to change due to future constraints. Achieving the delivery of existing priorities may mean that introducing new priorities is not affordable or realistic. Officers are working with members to develop an understanding of the challenges ahead on the budget and how this may impact service delivery and investment, particularly because Southwark has had a relatively strong financial position and the council has not had to take the sorts of decisions which other boroughs have already faced. Budget gaps have been forecast for future years which will need more corporate and strategic oversight, and which may require some previously unpalatable decisions to be made if they are to be addressed.

4.5 Capacity for improvement

Early results from the staff survey conducted during September 2023 shows high levels of engagement from staff and nearly three quarters of staff would recommend Southwark Council as a good place to work, with 80% saying they are proud to work for the council. There was, however, uncertainty amongst staff about the overall vision and plans of the council and employees' understanding of their roles and how they fit in to these plans.

Lower scoring responses were on levels of confidence about whether the council would act on the survey results, on pay and benefits, career progression opportunities and the visibility of senior managers. Some concern was raised on EDI. Whilst the majority of respondents agreed that the council is committed to it, there were also concerns from a significant minority about whether the council ensures fair and equal treatment of its staff.

Independent pay gap analysis was undertaken earlier in 2023 to cover the five years from 2018/19 to 2022/23. It showed that the median hourly pay for Black, Asian and minority ethnic employees across the council was 9.35% lower than for White employees, with some wider gaps in some directorates. This analysis has led to the council developing an ethnicity pay gap strategy for closing these gaps, and more

broadly to support the delivery of Southwark Stands Together. It feels like a key learning moment for the organisation.

The HR function has been boosted by permanent appointments and at the leadership level there is a clear sense of their priorities, supported by CMT. The new organisational development team and the new payroll system once established, will be important factors in providing the level of support the organisation needs.

EDI work across the council internally and externally has a strong presence and there is a good understanding of the characteristics of local communities, with various initiatives underway. However, it is not clear whether the voices of all groups are heard because the overall impression given is that matters relating to race are the most important and get the most attention. This may not reflect the actual delivery underway nor the council's intentions and thought should be given to inclusivity in its broadest sense so that these perceptions can be addressed.

ICT systems and approaches do not always meet the needs of staff. Managers spoke of long delays of around 3 months in some instances for new starters receiving laptops and them having to introduce "work arounds" in order to get equipment provided more quickly. They also describe delays in getting new members of staff access to necessary systems, such as finance, and frustrations on HR support and advice, and recruitment processes.

Staff are generally enthusiastic about the overall headline priorities of the council but in some instances are struggling to deliver because of a lack of clarity at frontline level, pressures on the "day job" and because they already feel stretched. They also have concerns that resources are not realistically aligned to the expectations of them, and the organisation's perceived lack of prioritisation.

They also said it is difficult to have conversations with some councillors about the practical realities of service delivery at the frontline. The tone of engagement from councillors to staff was described as appropriate for most but not all of the time, which again suggests that more overt attention needs to be paid to values and behaviours.

The buy-in to high levels of ambition needs to be balanced by the council needing to collectively to get the basics of some aspects of service delivery right, such as responsiveness to residents and internally across the council. This is recognised by

staff as an area which could improve. Some of this frustration is shared by external partners. Investing more in core council infrastructure and clarifying expectations about systems and processes will help to reduce divergence and improve consistency at the corporate level

At middle manager and frontline level staff are not yet describing the ambition expressed at senior levels for a culture change which allows them freedom to flex and deliver in the best ways for residents through doing things differently. The council is aware it has much to do in this area, and work has started on a new People Strategy.

More overt linkages need to be made between strategic plans and individual employees' roles in delivering them. Using the personal development plan process to enable everyone to connect in a way which is simple, universally applicable and consistent will help them to engage and deliver. Extending understanding of the vision and what it means also needs to be more widely promoted through internal communications.

In response to the Covid-19 pandemic and the Black Lives Matter movement the council introduced Southwark Stands Together, which is largely outward facing. An element of this is an internal group of champions and allies working together across the organisation to consider performance in key areas, such as employee engagement, equality at work and delivering better outcomes.

During 2023 a new digital approach to appraisals is being introduced through the My Learning Source Platform. This will enable objectives for all employees to be set using the online process Thrive@Southwark. Future plans aim to review values and behaviours and improve feedback loops. This will help to address the concerns raised by staff about capacity, but it will need encouragement and corporate leadership to ensure that there is consistent uptake and buy-in across all services and is not regarded as optional. At the time of the peer challenge however, the programme had a low profile and people did not yet appear to be making linkages between it and broader EDI concerns.

A clearer internal vision and case for overall change, transformation and organisational development is needed. It will be important for the council to clearly state its transformation priorities and the reasons behind them. Currently

transformation appears to be regarded mainly as a measure to balance the forthcoming budget gaps, rather than also as an opportunity to improve ways of service delivery as well as to consider what the council might stop doing, or do differently alongside others. A number of stakeholders for example suggest that transformation needs to be applied to how and what is offered on housing.

A need for culture change is recognised by staff, including the need to invest more in training and development, including better managerial skills and opportunities, which would help retention. Much remains to be done to build the organisation further, but there is evidence that the building blocks are being put in place, for example new posts have been created and with new leadership, and the OD team is out to recruitment.

Whilst the council has an emerging digital team it feels that the organisation is at the beginning of its digital journey. Clear delineation between what is picked up the IT shared service and what sits independently in the organisation will be helpful. A maturity assessment on the council's digital capabilities could contribute to an effective digital strategy. Developing an understanding of where new technology (including AI) will be key to ensure Southwark does not fall behind its peers. Using data as a key capability for the new corporate centre will help to drive performance, and using more insight and design-led practices will enable the council to better understand the experiences of residents. Developing a service design team and bringing all of these capabilities together will help to bring about change across the organisation.

As might be expected where departments have been strong, performance data has largely been held within directorates. There are concerns that the quality of this information is variable, and not enough insight or analysis is applied to what is happening in services. Sometimes there is a tendency of councillors to focus on the minutiae of delivery at operational level rather than seeing the overall big picture of what the council is delivering. Stakeholders feel more needs to be done to tackle silo working. These views all support the new council leadership's ambition to develop a more consistent approach to corporate working with reduced silos so that issues can be more widely shared and owned and resolved. Capacity at the corporate centre has been boosted through the appointment of two new Assistant Chief Executive posts.

A review has been undertaken of council wide capacity and now the organisation needs to decide how best to utilise it. The council should consider accelerating its approach to the development of its new corporate centre and its corporate resources in order to ensure it has the right skills, tools and approaches to develop new capabilities and ensure it becomes the integrated and collaborative organisation that the leadership aspires to, and which can support the delivery of the council's stated priorities.

Southwark is going through a period of significant change. It needs to put in place some further building blocks if improvement is to be sustained, and a golden thread needs to be traced between high level ambition and delivery. Relationships need to grow further, roles and responsibilities should be clarified, priorities need to be balanced by resources, and collaboration internally and externally needs to be developed and sustained.

5. Next steps

It is recognised that senior political and managerial leadership will want to consider, discuss and reflect on these findings.

Both the peer team and LGA are keen to build on the relationships formed through the peer challenge. The CPC process includes a progress review published within twelve months of the CPC, which provides space for the council's senior leadership to update peers on its progress against the recommendations from this report.

In the meantime, Kate Herbert, Principal Adviser for London, is the main contact between your authority and the Local Government Association. Kate is available to discuss any further support the council requires (kate.herbert@local.gov.uk, 07867 632404)

Corporate Peer Challenge Action Plan

Introduction

Southwark is home to more than 300,000 people, 18,000 businesses, engaged and supportive communities, and a world class cultural scene. We are powered by our people, whose heritage and history make our borough dynamic and diverse.

Residents have told us they want to live in a borough that is green, safe and caring - a borough that provides a fair chance for everyone to get ahead through a relentless focus on tackling inequality and discrimination. Southwark people want to live in a decent home that supports their health and wellbeing, and have fulfilling and stable work that enables them to thrive and enrich their lives and that of their families.

Our constant aim is to provide the best services, partnership and interventions that we can to help our borough thrive. The cost of living crisis, the impact of inflation, critical funding shortfalls and the overwhelming pace of societal change continue to present significant challenges to our residents and our organisation.

We know that in order to best serve our residents, we need to be transparent, open to learning and willing to do things differently. It is against this backdrop that we invited a Local Government Association Team to undertake a Corporate Peer Challenge in October 2023.

The Team spent three days on site, had access to a full suite of council documents and evidence, and met with over 100 members of staff, councillors, residents and partners.

The nature of a CPC means the focus of the challenge is based on the council's stated aims, progress in delivery and organisational capacity. The team have offered insightful feedback which will help us to redouble our effort on the continuous improvement that will ensure we are the best organisation that we can be.

This plan is focussed on the actions which will deliver the team's recommendations. The recommendations are firmly rooted in the council as an organisation, so the focus of the action plan is organisational effectiveness and enabling our staff to serve our residents and our borough.

The recommendations will serve as both an initial focus and ongoing guide for our work.

We would like to thank the LGA team for their time, commitment and honesty. Their recommendations will help us become a better organisation, and we look forward to sharing our progress with them later in the year.

Cllr Kieron Williams
Leader of the Council

Althea Loderick
Chief Executive

A guide to this plan

Work began on an action planning process as soon as the peer team delivered their recommendations. The outline recommendations from the CPC can be described under three broad action planning themes. We are using these as workstreams for action planning and reporting:

1. Strategic direction of the council

- Use Southwark 2030 to reinforce place priorities (the what) and focus the change programme (the how)
- Maintain prudent financial management with a clear and well-owned Council Delivery Plan
- Play a bigger role in London and national sector leadership

2. Service specific recommendations

- Enhance the Anchors network and introduce key account management for top 50 council partners
- Prioritise housing repairs improvement plan and stabilise HRA via strategic oversight of the capital programme and revenue budget
- Improve resident access for requests, complaints, FOI, SARs to enable effective performance monitoring and feedback.
- Agree a digital strategy that utilises technology, AI and innovation to drive change, with sharper use of data insight to improve performance

3. Future Southwark capacity and corporate infrastructure

- Introduce a clear, resourced change programme with ambition, values, behaviours, linked to appraisal and internal success measures e.g. EDI
- Create a well owned new corporate centre that can make it easier to work in the council and drive transformation, prioritising internal communication
- Streamline informal governance structures, improve ward member support function, standardise member-officer briefing and Cabinet/CMT engagement
- Clarify success measures for People Power, Closing the Gap and Neighbourhoods

Delivering the plan

The timeframe for the Corporate Peer Challenge (CPC) action planning is:

Short Term (quick wins)	November – December 2023
Medium Term (full mobilisation)	January – March 2024
Long Term (into core delivery)	April 2024 onwards

Many of the CPC recommendations relate to work already underway. The council is taking a streamlined and pragmatic approach to delivering and monitoring the CPC action plan, utilising existing teams and governance wherever possible.

There are three areas in the recommendations which have extensive existing plans and reporting. Updates from these areas will be fed into the review process and reported to the LGA as part of their monitoring of the action plan.

These are:

- The Medium Term Financial Strategy
- Council Delivery Plan
- Housing Repairs Improvement and HRA development

Where existing work programmes are in place, leads have been asked to review existing plans utilising the CPC feedback. They will outline the changes that they will make as a result of the CPC feedback and findings, and accelerate specific outcomes which relate to the recommendations.

The strategic lead for each recommendation area will ensure that there are detailed plans in place to deliver the work outlined.

Programme governance has been established in line with existing internal best practice. Reporting on the specific CPC action plan will be to the council's Corporate Management Team and the Leader's Board.

By the summer, the LGA will organise a progress review visit. This will create space for the council to explore progress and challenges with peers, and discuss next steps.

Workstream 1 – Strategic direction of the council

Recommendation	Key milestones and description	Strategic owner	Timescale
Use Southwark 2030 to reinforce place priorities (the what) and focus the change programme (the how)	<p>Milestone: Completion of the 2030 Strategy.</p> <p>The 2030 is in its last phase of development. Specific, partner wide commitments are being developed, and the full strategy will be ready to go to Cabinet and then Assembly in the spring.</p> <p>The Strategy will be used to develop a corporate change programme called Future Southwark which will support the organisation in delivering the change and improvements required to deliver the vision and goals of the 2030 strategy.</p>	Assistant Chief Executive - Strategy and Communities	Medium Term
Maintain prudent financial management with clear and well-owned Council Delivery Plan	<p>Milestone: Three year MTFS to Council Assembly in February</p> <p>The council is developing its first three year Medium Term Financial Strategy(MTFS) which will form the basis of the 2024/25 budget onwards. This is the result of a wholesale review of the budget planning process, and a Cabinet and CMT budget planning process throughout the autumn.</p> <p>Regular budget monitoring will continue via Cabinet.</p>	Strategic Director of Finance	Ongoing
	<p>The Council Delivery Plan is currently being refreshed to reflect a three year delivery approach. This will deepen the clarity of expectations in delivery, outcomes and ownership. Monitoring will continue via the Leader’s Board and reports to Cabinet.</p>	Assistant Chief Executive- Strategy and Communities	Ongoing
Play a bigger role in London and national sector leadership	<p>Milestone: Agreement of a public affairs and sector engagement strategy</p> <p>The council will develop a public affairs and sector engagement strategy for agreement with cabinet members and the corporate management team.</p>	Assistant Chief Executive- Strategy and Communities	Medium Term

Workstream 2 – Service specific recommendations /1

Recommendation	Key milestones and description	Strategic owner	Timescale
<p>Enhance the Anchors network and introduce key account management for top 50 council partners</p>	<p>Milestones: Creation of partnership capacity and partnership action plan</p> <p>In line with the development of the 2030 strategy and the Anchor Network, the Strategy and Communities department is undergoing a significant restructure. Part of this restructure will establish capacity to support the Anchor Network. Once this is complete, a stakeholder and partnership engagement action plan and account management process will be created.</p>	<p>Assistant Chief Executive Strategy and Communities</p>	<p>Long Term</p>
<p>Prioritise housing repairs improvement plan and stabilise HRA via strategic oversight of the capital programme and revenue budget</p>	<p>The housing repairs improvement plan and HRA review are existing long term priorities for the council.</p> <p>Extensive delivery plans are in place with internal council and external tenant governance and reporting systems. There is close monitoring of progress. Housing will continue to be the council's number one priority. CPC reporting to the LGA will include updates on these issues.</p>	<p>Strategic Director of Housing</p> <p>Strategic Director of Finance</p>	<p>Ongoing, long term commitment with timescales in specific plans</p>
<p>Improve resident access for requests, complaints, FOI, SARs to enable effective performance monitoring and feedback.</p>	<p>Milestones: Current state analysis and performance improvement plans and delivery</p> <p>The service will develop a current state analysis to deepen understanding of current issues and performance. This will then inform a staged performance improvement plan with clear targets and milestones for service improvement, which will be agreed and monitored by the Corporate Management Team and at the Leader's board.</p>	<p>Strategic Director of Finance</p>	<p>Short - Medium Term</p>

Workstream 2 – Service specific recommendations /2

Recommendation	Key milestones and description	Strategic owner	Timescale
<p>Agree a digital strategy that utilises technology, AI and innovation to drive change, with sharper use of data insight to improve performance</p>	<p>Milestones: Scoping and programme plan, strategy and delivery plan.</p> <p>Work has started on the Digital and Technology Strategy. This will be rescoped in light of the CPC feedback, and a revised scope, methodology and delivery plan will be agreed by the Corporate Management Team and relevant cabinet members.</p> <p>The strategy development will be completed by the end of the spring, and will include expert consultation support to ensure consultation is inclusive and includes people with all needs. Delivery of the strategy will begin in early summer, with regular reporting to CMT and the Leader’s Board.</p>	<p>Strategic Director of Finance</p>	<p>Short term - Long Term</p>

Workstream 3 – Future Southwark capacity and corporate infrastructure /1

Recommendation	Key milestones and description	Strategic owner	Timescale
<p>Introduce a clear, resourced change programme with ambition, values, behaviours, linked to appraisal and internal success measures e.g. EDI</p>	<p>Milestones: Creation of the Future Southwark Programme and People Plan</p> <p>An internal change programme called Future Southwark is being created. The programme is being scoped to include:</p> <ul style="list-style-type: none"> ▪ People plan, revised values and behaviours, associated HR policies and capacity ▪ Accommodation Strategy ▪ Corporate resources review ▪ Internal systems and process review ▪ Response to CPC <p>The Future Southwark programme will be launched at a staff conference at the end of January, with work starting on the programme in February.</p> <p>A key deliverable of the programme will be the People Plan, which will set out how we will develop, retain and attract people, and will be used for current and prospective staff. The plan will be developed via extensive staff engagement and will include new values and behaviours. Work will be complete on this in late spring.</p> <p>A phased Future Southwark delivery plan will be developed, with stage one launched in February 2024, stage 2 in April and subsequent stages planned and launched throughout the year.</p> <p>Appropriate governance processes and an outcomes framework will be established with the programme. Monthly programme reporting will be put in place.</p>	<p>Chief Executive</p>	<p>Short term – Long term and ongoing</p>

Workstream 3 – Future Southwark capacity and corporate infrastructure /2

Recommendation	Key milestones and description	Strategic owner	Timescale
<p>Create a well owned new corporate centre that can make it easier to work in the council and drive transformation, prioritising internal communication</p>	<p>Milestones: Strategy and Communities restructure and creation of Organisational Development and Internal Communications Team</p> <p>Strategy and Communities Senior Management Structure, PPP structure, LOCO structure will be completed, and a recruitment campaign will be launched. This will ensure that the council has the capacity and skills to deliver the 2030 Strategy and related transformation.</p> <p>A new Organisational Development and Internal Communications Team will be created under the Director of People and Organisational Development. The team will also assume responsibility for the delivery of the Directors Forum and Leadership Network.</p>	<p>Assistant Chief Executive - Strategy</p> <p>Director of People and Organisational Development</p>	<p>Short Term</p>
	<p>Milestones: Strategy and Communities service offer, corporate performance framework and transformation framework</p> <p>Once the Strategy and Communities structure is in place and staffed, a clear service offer and impact measures will be developed in partnership with council departments. This will lead to new corporate performance and transformation frameworks, driven by the 2030 Strategy.</p>	<p>Assistant Chief Executive - Strategy and Communities</p>	<p>Medium – long Term</p>
	<p>Milestone: Internal Communications and Engagement Strategy</p> <p>A new Internal Communications and Engagement Strategy will be codesigned with staff across the organisation. This work will be carried out concurrently with the development of the People Plan and will underpin the organisation’s communications and staff involvement approaches. The strategy will be completed in the spring.</p>	<p>Director of People and Organisational Development</p>	<p>Medium Term</p>

Workstream 3 – Future Southwark capacity and corporate infrastructure /3

Recommendation	Key milestones and description	Strategic owner	Timescale
<p>Streamline informal governance structures, improve ward member support function, standardise member-officer briefing and Cabinet/CMT engagement</p>	<p>Milestones: Two stage informal governance review and findings implemented</p> <p>In the short term, a stage one 1 informal governance review will be conducted of high level informal governance, member-officer briefing at Cabinet and CMT levels. This will be focussed on streamlining processes and ensuring strategic informal governance is efficient and effective. Findings will be implemented in the medium term.</p> <p>Stage 2 will broaden out to governance which includes partners and residents. This will begin in the long term once the 2030 Strategy is agreed and the structure for Strategy and Communities, including resource to support the Anchor Network, is in place.</p>	<p>Chief Executive</p> <p>Assistant Chief Executive Strategy and Communities</p>	<p>Short - Long Term</p>
	<p>Milestone: Services to members review programme, to include developing a Members Support Service and a rapid improvement plan for Members Enquiries</p> <p>Throughout the report the CPC Team made reference to services and support to members. We will launch a Services to Members Programme to improve all aspects of support to members.</p> <p>In the short term, a rapid improvement plan for Members Enquiries will be developed and put into delivery. The plan will have targets and clearly defined outcomes. This will be monitored regularly with officer and member reporting mechanisms in place.</p> <p>The council currently does not have a members support service, which is inconsistent with other authorities across London. A new service will be co-designed with members in the medium term for delivery in the long term.</p> <p>All other aspects of council support and interaction with members will be included in the programme with the aim of ensuring that members are well supported to carry out their roles.</p>	<p>Strategic Director of Finance</p> <p>and</p> <p>Assistant Chief Executive - Governance and Assurance</p>	<p>Short - Medium Term</p>

Workstream 3 – Future Southwark capacity and corporate infrastructure /4

Recommendation	Key milestones and description	Strategic owner	Timescale
<p>Clarify success measures for People Power, Closing the Gap and Neighbourhoods</p>	<p>Milestone: Corporate Outcomes Framework developed for the 2030 Strategy</p> <p>The 2030 Strategy will define the vision and goals for the borough. The People Power, Closing the Gap and Neighbourhoods programmes will be rescoped in order to support the delivery of the 2030 Strategy goals</p> <p>A corporate outcomes framework will be developed to set out the outcomes we expect to see as a result of the delivery of these programmes. This will be agreed at Cabinet.</p>	<p>Assistant Chief Executive - Strategy and Communities</p>	<p>Long term</p>



Corporate Peer Challenge Position Statement

October 2023

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Welcome to Southwark

Southwark is home to more than 300,000 people, 18,000 businesses, engaged and supportive communities, and a world class cultural scene. We are powered by our people, whose heritage and history make our borough dynamic and diverse.

Our borough is rich with internationally renowned locations and destinations. Peckham, London Bridge, Elephant and Castle, and Dulwich are all well-known beyond our borders, as are our world-class institutions and landmarks, including Tate Modern, The Shard, Borough Market, Guys Hospital and Mountview Academy of Theatre Arts.

Whether they are descendants of nation-building generations of factory workers and dockmasters; pioneering immigrants who travelled on the Windrush and via other routes to reach England from Africa, the Caribbean, Ukraine and beyond; or bold reformers determined to change the fortunes of south Londoners trapped in poverty, Southwark's people enrich local life with a distinctive mix of passion, resilience, hard work and joy.

In common with the rest of our city we are also a place of contrast. While many thrive, others struggle. Inequalities in health, income and access to opportunities remain, despite efforts to reduce them. Our **Joint Strategic Needs Assessment (JSNA)** shows that life expectancy varies by almost a decade across the borough, from 89 in the south of the borough to 80 in other areas.

Southwark contains some of the most deprived neighbourhoods in the country and had faced significant issues of fuel poverty and food insecurity even before the start of the cost of living crisis.

Our residents have told us they want to live in a borough that is green, safe and caring - a borough that provides a fair chance for everyone to get ahead through a relentless focus on tackling inequality and discrimination. Southwark people want to live in a decent home that supports their health and wellbeing, and have fulfilling and stable work that enables them to thrive and enrich their lives and that of their families.

Our council

In the first decade of austerity, the council's focus was firmly rooted in excellence in service delivery, and regeneration to fund more and better social housing; stimulate growth; create jobs; and generate funding for public services. An asset-driven financial strategy was guided by a determination to establish as much financial independence as possible to shield us from falling funding.

Throughout these challenging times, and right up to the present day, every member of staff has demonstrated the same ambition: to make a positive impact on the lives of our residents and our borough, guided by our value of treating residents as valued members of our own family. We are a supporter and enabler of the incredible communities we serve.

As London's biggest council landlord with almost 40,000 tenants we have a unique relationship with many of our residents, with 27 percent living in council rented homes, the highest proportion in the country. Indeed, 40 percent of our residents live in social rented homes, the second highest proportion in the country.

Our focus on children and young people is demonstrated through consistently strong service provision and the quality of the borough's schools. Schools have been on a significant improvement journey - 98 percent of schools in the borough are excellent or good. Our young people continue to shine, with the most recent summer GCSE results showing their achievements positively bucking national trends. We were proud to be rated 'Good' for our Children's Services in our last Ofsted in September 2022, where we were told that children are at the heart of practice in Southwark and children's lives are improved as a result of our impact.

As well as high quality schools and social care provision, local people enjoy hundreds of services

that are for everyone, including 363 parks and open spaces, 30 of which have been awarded Green Flags; a growing number of modern and welcoming libraries; and a recently insourced leisure service with eight leisure centres. Our borough is fortunate to enjoy and continue to attract excellent universities and colleges; quality employers; enviable NHS services and unrivalled support from our varied voluntary and community organisations.

The council's work benefits from this rich local network of sector-leading partners and businesses, and vibrant communities underpinned with a strong tapestry of VCS and faith organisations.

Team Southwark

Team Southwark is driven by the people and communities we serve. Guided by shared corporate and political values, we demand the very best for them, from ourselves, our partners, businesses and regional and national Government.

Southwark is characterised by strong and driven political Leadership. Cllr Kieron Williams was elected Leader in September 2020, and returned in 2022 with an increased majority for the Labour administration, which has been in place since 2010.

Joined by Althea Loderick as the Chief Executive in May 2022, the partnership has worked with a high performing Cabinet and Corporate Management Team to build on Southwark's considerable strengths.

Following the local elections last year, the organisation worked swiftly to operationalise the administration's manifesto into a **Council Delivery Plan (CDP)** which guides the council's work. This has been supported by a new system of politically-led informal governance, which has a laser focus on delivery plan outcomes and performance.

Key Facts

Southwark is a densely populated and diverse inner London borough situated on the south bank of the River Thames, with Lambeth to the west and Lewisham to the east.

Southwark is a patchwork of communities: from leafy Dulwich, to bustling Peckham and Camberwell, and the rapidly changing Rotherhithe peninsula. Towards the north, Borough and Bankside are thriving with high levels of private investment and development. Yet there remain areas affected by high levels of disadvantage, where health outcomes fall short of what any resident should expect.

Our population is young, diverse and growing, with large numbers of young adults and residents from a wide range of ethnic and social backgrounds

- The average age (32.4 years) is more than two years younger than London, and almost seven years younger than England
- Around half (51 percent) of people living in Southwark have a White ethnic background compared to 81 percent nationally
- The largest ethnic group other than White is 'Black, Black British, Caribbean or African', accounting for one-quarter (25 percent) of Southwark residents
- Southwark has one of the largest Latin American Communities in the country, predominantly made up of Colombians and Ecuadorians living around Elephant and Castle
- The last census found that over 80 languages are spoken in the borough, with 79 percent of the population speaking English as their main language
- There were over 40 distinct religions identified among Southwark residents

- Southwark has the 4th largest LGBTQI+ population in England, with 8 percent of residents (nearly 21,000 people) aged 16+ identifying as non-heterosexual. Southwark also has the 5th largest trans/non-binary population in England
- Over 18,000 residents provide some level of unpaid care, equivalent to 6 percent of Southwark's population

Towards 2030

In seeking to build on the council's strengths, the Leader and Cabinet have set out a distinctive 'People Power' agenda. Driving this approach is the determination that communities must be able to shape the places they live in and make decisions about issues that affect their lives.

With the Council Delivery Plan guiding daily work and focus, three significant initiatives are already exemplifying the People Power agenda - the development of a 2030 Strategy, our Streets for People Strategy and our Neighbourhoods programme.

Throughout 2023, local residents, organisations, businesses and communities have come together to work towards creating a Southwark 2030 Strategy. Over 2,000 residents and a range of organisations have taken part in this work so far.

Guided by a partner design group chaired by the Chief Executive, the emerging 2030 Strategy marks the first time in over a decade that partners have worked together on developing a place-based vision for Southwark. This process has deepened already strong partner relationships throughout Southwark. We are working towards a truly partnership document ready for agreement next spring.

Transformation of the council's purpose and delivery methods have been consolidated into a programme led by members of the Corporate Management Team and driven by strong political direction. The programme is being designed to deliver a practical and cultural shift and is driven by a belief that Southwark can only address the ongoing inequalities in the borough and improve outcomes when the whole organisation and wider partnership works together as a system.

The programme consists of three work streams: People Power, Closing the Gap and Neighbourhoods. To make real our commitments to moving to a 'One Council' approach, the council has built cross-organisational leadership into the governance and oversight of these three transformational programmes.

Closing the Gap is being led by David Quirke-Thornton (Strategic Director - Children and Adults), People Power by Clive Palfreyman, (Strategic Director - Finance) and Neighbourhoods by Caroline Bruce (Strategic Director - Environment, Neighbourhoods and Growth).

Being People Powered is about putting residents at the heart of everything we do. At its core it is about a fundamentally different relationship between residents and the council. It is also about empowering staff and shifting our organisational culture so that collaboration is a default and staff feel they have the agency they need to make a difference.

The Closing the Gap programme is about working to tackle inequality, poverty, racism and discrimination, as well as the specific inequalities in health, education, housing and employment that mean some residents are currently falling through the gap. In partnership with Impact on Urban Health we are currently undertaking

a comprehensive research study to understand the real and current impact of inequalities for residents in our borough. This is due to be finalised in October.

Southwark is committed to a neighbourhoods approach, so people feel empowered and involved in shaping the places they live, work, study and visit. The Neighbourhoods programme is about ensuring that the essentials of life are close by.

Within the Neighbourhoods programme we are developing 10 neighbourhood areas each of which is being co-led by two directors from different parts of the organisation.

Each neighbourhood will have a vision and an action plan, a pot of funding which can be directed to local priorities, a strengthened role for councillors and a renewed role for voluntary, community and faith sector anchor organisations.

There is strong political and organisational oversight of every transformation priority. Overall, the three programmes, alongside other major programmes, are subject to discussion and development via our new Corporate Portfolio Board. This was established in July 2023 to provide space for the Corporate Management Team (CMT) to exercise collective leadership and take an active role in steering the most important cross-cutting programmes in the organisation. Each of the three programmes also has a dedicated programme manager to support delivery.

2

Equality, diversity and inclusion

Underpinning our ambition for everyone in Southwark is our commitment to tackle inequality and racial injustice.

In 2020, the communities of Southwark came together to launch Southwark Stands Together (SST), our plan for addressing racial injustice and being an anti-racist borough. The aims of the Southwark Stands Together programme are far reaching, bringing together the police, health partners, staff, the community and voluntary sector, residents, businesses and all those invested in our borough. The programme is shaped around a number of core work streams that came from conversations with our communities after the murder of George Floyd.

Since its inception, SST has led to a number of significant changes. We've commissioned the community organisation Forum for Equality and Human Rights in Southwark (FEHRS) to act as a 'critical friend' to support and challenge us. FEHRS helps to ensure our policies are as fair as possible.

During 2022-2023, we established a new SST Programme Board, chaired by the Chief Executive and attended by 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.

A number of projects have already been delivered, with real impact on the lives of local residents. Our Arts Board Diversification Programme has supported Black, Asian and Minority Ethnic residents to take up Special Independent Director and Trustee roles with 11 organisations in the borough. The participating arts organisations have created Special Independent Director (SID) places on their boards as part of their own journeys towards more inclusive governance practice.

This summer we showcased the work of seven incredible artists from Black, Asian and Minority Ethnic backgrounds who had taken part in our I Create programme. Funding was allocated to seven aspiring talents to help address the under-representation of creatives from Black, Asian, and minority ethnic backgrounds in the arts. The artists were paired with mentors from well-known Southwark-based cultural organisations such as Bold Tendencies, Central School of Ballet, Dulwich Picture Gallery, Tate Modern, and Theatre Peckham. The mentors played a crucial role in supporting the artists' creative development during the year.

We are partnering with Olmec, an award winning Black and Minoritised Communities led race equality organisation, and other local authorities (Islington, Richmond, Westminster and Wandsworth) to provide our Black, Asian and Minority Ethnic **staff** the opportunity to become a Board Member through the Black on Board Programme. Black on Board is a governance training programme for organisations investing in Black, Asian and Minority Ethnic staff designed to train and mentor participants onto board positions. Olmec's focus is people of colour from Black, Asian, Latin American and Arabic communities to address under representation of these communities at board level.

We have co-designed a new equalities grant fund worth £400k, of which £200k is ring-fenced for Black, Asian and Minority Ethnic led organisations. We also launched the Southwark Pioneers Fund to support people who are under-represented in entrepreneurship to start and grow their enterprise, including minority ethnic businesses.

Our broader equality mission is guided by the Southwark Equality Framework, which focuses our work on six priorities: Leading Equalities, Knowing Our Communities, Working with You, Working for You, Equalities in Commissioning and Procurement and A Skilled, Representative and Valued Workforce.

We are currently working with independent EDI experts to complete a comprehensive EDI review and audit, which is designed to provide a 360 degree assessment of what we're doing well and where there are gaps or issues we need to address. This work, which will be finalised in November 2023, includes a specific focus on leadership so the findings will provide us with an opportunity to recognise and reflect on our leadership strengths and how we want to develop and build our leadership capability.

Internally, staff networks have been established. We are developing a new, co-designed ethnicity pay gap strategy that will set out, in detail, why the council has an ethnicity pay gap and how we will work with staff to narrow it.

3

Local priorities and outcomes

There are two key elements governing the council's planning and delivery; the here and now and our long term vision for the future.

The first is reflected in the **Council Delivery Plan 2022-26 (CDP)** which informs the day-to-day priorities of the organisation. The second is the process through which we are looking at what we need to deliver by the end of the decade - Southwark 2030. Both are grounded in the aspirations of our people.

The Council Delivery Plan details the organisational priorities over the course of the current four-year term of the administration. Titled "Fairer, Greener, Safer", it is based on seven themes:

1. Transforming our borough
2. A thriving and inclusive economy
3. A healthy environment
4. Quality, affordable homes
5. Keeping you safe
6. Investing in communities
7. Supporting families

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.

The CDP was informed by large scale and detailed research, and the administration's manifesto. This research included Understanding Southwark, a piece of research commissioned by the council with Social Life; Life after COVID, a

2021 piece of research in partnership with The Social Innovation Partnership (TSIP) involving nearly 3,000 people who live and work in the borough, and Survey of Londoners, a survey and field work carried out by Ipsos Mori for the Greater London Authority.

Progress against the CDP is monitored through quarterly Performance Sessions led by members of Cabinet and relevant lead officers on the Corporate Management Team. This is then fed upwards to the 'Leader's Board' which takes place monthly. An annual report for 2022/23 was reported to Cabinet in October 2023.

From the CDP, 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. Performance is monitored and managed at every level on a regular basis.

The performance management process helps to identify learning and development needs, which are translated into personal development plans for staff. Members are also offered development opportunities, with a programme of learning and development available to officers and members.

Good quality homes

The council's overarching focus for many years has been to put the infrastructure in place so that residents are able to live happy, rewarding lives. Where residents need more support to do that, we will do our best to provide it.

The council is very proud to be the leading council house builder in England. Over one third of all council homes built in England in 2021 were built in Southwark.

We launched a long-term approach to building new council homes in January 2013, and met our target of starting construction of delivering 2,500 new council homes by May 2022. We have plans to build 1,000 more by 2026.

We have approved high levels of social rented units in the past year, with nearly half of all units from major schemes being affordable homes rather than market rented units. 59 percent of major housing schemes this year provided genuinely affordable homes, far exceeding the 35 percent target – with 49 percent being available for social rent and 10 percent for intermediate rent. 1,085 social rented homes have received planning consent in the last year, with an additional 291 intermediate homes approved.

A total of 1,632 social rented units have started construction on site in the past year with 458 from council-led projects.

Like all social housing providers, the council has significant challenges with its social housing precipitated by the rent cap, new legislation and duties, the drive to net zero, stock condition, inflation and cost of borrowing, the general economic outlook for our tenants, and industry wide skills shortages. These issues are presented at scale in Southwark due to the size and age of our housing stock.

We recognise significant issues within our housing repairs service, which we are acting to transform, with a recent report to **Cabinet** setting out the council's approach. We have had some successes but for a range of important reasons, including the Covid19 pandemic, we have not made as much progress as we have wanted.

We know residents are frustrated by the slow progress, and we are determined to drive things forward quickly so that they start to see a positive difference. We believe that the service is now

turning a corner, with rising satisfaction and a new resident led improvement board driving progress alongside our Cabinet lead.

The Repairs Improvement Residents' Board (RIRB) was established following a council commitment to empower council tenants and residents. An external independent partner was appointed to support the council in the initial set up of the board and then to provide support to the board throughout the programme. The RIRB was set up after an expression of interest through an online panel of residents and will have a key role in assisting with improvements for the repairs service improvement plan.

We are reviewing the financial strategy for our HRA to take into account the significant national and local challenges. We know, however, that housing will continue to take significant organisation wide focus and capacity. Members of CMT are actively leading this process and a new Strategic Director for Housing is being recruited.

Cost of living support

In 2022, as more residents found it harder to manage, we introduced a Cost-of-Living Fund. By spring this year, the council had distributed more than £30m in cost-of-living support to more than one hundred thousand households. The fund was created by merging Government grants and topping them up from the council's reserves.

Because Government Cost of Living support was payable in irregular lump sums, the council filled gaps between payment dates by providing extra support for more than thirty thousand low-income households on means-tested benefits. Holiday free school meals continued throughout the year, and, in the winter, we provided extra help for those receiving council domiciliary care, arguably the most vulnerable of all our residents.

We set up a cross-council Communications and Engagement group, replicating the model used throughout the pandemic, to deliver comprehensive plans to ensure residents were aware of the support available to them, adjusting and responding in real time to feedback from VCS partners. We ran a Cost of Living Summit for partners, and a resident webinar to help spread the word about support, as well as working with VCS partners to set up more than forty Warm Spaces across the borough.

A strong and focussed partnership between the council, health and VCS was at the heart of delivery. The centrepiece of the council's Cost of Living response was the community referral pathway, to help us reach low-income households not claiming welfare benefits. The council worked with schools and dozens of community VCS partners who could refer vulnerable people who were known to them or who they encountered, for support from the Cost-of-Living Fund.

Partners were recruited with the support of **Community Southwark** – the umbrella organisation for the VCS. Fifteen thousand referrals were made between October and March and eighty percent of those referred received payments of £100. Cabinet received a full **evaluation report**.

The council has a strong history of tackling food insecurity together with our partners in the voluntary, community and faith sector. We are proud to be one of only four councils in London to be recognised as cross-cutting leaders in our food work as part of the recently published Good Food for All Londoners report. As a council there has been a long standing commitment to offering support to families through the offer of free, healthy school meals, which is now in place for all nursery and primary pupils. This support is being extended to some secondary school pupils whilst the Mayor of London's primary school support is in place.

Leisure insourcing

As an example of our values-led approach to service delivery, Southwark Council made the decision to insource its leisure services at the end of the contract with the then incumbent, Everyone Active. This decision was taken in order to better align the leisure offer with the council's wider health and well-being offer across, for example, public health, adult and children's services, as well as the wider integrated health system, and to provide better employment for leisure centre team members.

Services were transferred in house in the summer of 2023. This was a complex, whole council project. Outcomes achieved include;

- a new standalone leisure ICT system, which interfaced with other council systems and processes
- transfer of 350 staff through the TUPE process
- transfer of 19,000 leisure members
- development of a financial target operating model and financial reporting system
- capital asset review, 5 year asset lifecycle plan and development of funding bids to address under-investment in facilities

4

Organisational and place leadership

There is a strong and effective partnership between members and officers, with clarity on delivery provided by the Council Delivery Plan.

The administration operates in a consensual decision making manner, bringing borough wide representation to decision making. Officer leadership is set up to support this approach, which leads to robust governance and deep political buy in, particularly on contentious issues.

There are clear targets and plans to work towards becoming a net zero borough, with the council meeting its target to halve its operational council emissions in 2022. Renewable electricity is being rolled out in schools and communal areas of housing estates. Over 1,000 council homes have been retrofitted to make them greener, improve their energy efficiency and make them cheaper to run.

Our ground-breaking **Streets for People Strategy** was agreed in July 2023 with a clear vision for 2030. Pledges include ensuring that all homes will be within 200m of a safe and pleasant walking route; local schools will have a "School Street" or other new safety measures; bikes will gain access to a cycle hangar within six months of applying; and each neighbourhood will have parking spaces for cycles, e-bikes, hire cars and electric vehicles.

Child mental health

In 2018 we undertook a joint review with the former Southwark Clinical Commissioning Group of mental health services for children and young people aged 0-25 in the borough. This showed a shortfall for those who needed extra support with their mental health but did not meet the criteria for specialist services. We heard from young people about their struggle to get help. This

informed our decision to set up an early support hub for young people with low-level mental health problems, such as anxiety and stress. Our aim was to reduce the number of young people reaching crisis point, and make it available to all children in the borough who are experiencing mental health problems. We are working to make support available in all schools.

Local young people helped us design and name our service **The Nest**, which supports children, involving their whole family, through to individual children and young people up to the age of 25 years old and bespoke support for parents and carers, as well as a dedicated team that works in schools across Southwark. In 2022-2023, 373 children used the Nest walk-in service.

Employment and skills

The council has stepped in to establish a locally-delivered employment and skills system, providing support to help residents into work and to progress in work.

The front door to this local system is Southwark Works, the council's employment support programme and a key channel through which the council delivers its ambition to create a thriving and inclusive economy. Unlike the Job Centre, the service is free from conditionality, providing help for anyone who wants to find a job, not just those in receipt of particular benefits. Between 2019 and 2022 a total of 3,681 people were supported into a job, apprenticeship, or training, with over half of those starting jobs.

Southwark Works is delivered by a network of third sector providers rooted in the local community, who offer a range of tailored employment support based on underlying needs, such as mental health, homelessness or disability. The programme integrates two main elements.

For residents, it offers employment support tailored to the needs of different cohorts. For employers it provides a free recruitment service, helping them match their vacancies with local residents and to successfully employ people who face challenges entering and progressing in the workplace.

An independent evaluation of Southwark Works found that it outperformed similar national programmes for all of its client groups, with a higher rate of people starting a job or apprenticeship. Crucially, the evaluation also revealed that residents feel that Southwark Works has had a great positive impact on their mental wellbeing, demonstrating the broader impact of a holistic employment service.

Southwark has run a successful and award-winning apprenticeship programme for nearly 15 years. We are one of the top 100 apprentice employers and 25 per cent of all apprenticeships in London are created by Southwark. Over the next three years we plan to recruit 100 interns across the council. This programme is for our young residents aged 16-24 who may be struggling to get on the career ladder in order to make their way in the world. This is part of the council's wider commitment in the Council Plan to get 500 internships for young people from low income backgrounds

Since opening its doors, the **Southwark Construction Skills Centre** has developed its reputation and standing within the local community and wider construction industry and over 6,000 Southwark residents have attended a range of construction skills training. Nearly 500 Southwark residents have secured apprenticeships, over 1,300 have started jobs and over 2,000 existing construction employees have increased their skills and qualifications.

A key commitment in our Council Delivery Plan, our Living Wage Unit is driving efforts to double the number of accredited London Living Wage

employers headquartered in Southwark from a baseline of 269 to 498 over 4 years. The number of accredited employers has increased to 311 in the first 18 months.

As London's first Living Wage Place, our actions are coordinated through a steering group of committed partners including businesses, universities and community campaigning groups who each make business engagement and advocacy commitments under a shared action plan. Our own commitments include leading the reaccreditation of Southwark as a Living Wage Place, increasing targeted communications resources, and launching a grant scheme to cover the cost of accreditation for smaller employers.

We are working with Lambeth council to create SC1, a Life Sciences Innovation District spanning both boroughs.

Our goal is to make the district a world-recognised home for transformative innovation in life sciences. Health equity is at the heart of SC1 and we are planning to use creative, public-private partnerships to develop solutions to complex healthcare challenges and to improve life for our local communities and society as a whole.

The seven partners behind the project are: King's College London; Guy's and St Thomas' NHS Foundation Trust; King's College Hospital NHS Foundation Trust; South London and Maudsley NHS Foundation Trust; Guy's & St Thomas' Foundation; Lambeth Council and Southwark Council.

Borough of Sanctuary

The council is ambitious about being a place that welcomes migrants and refugees to our borough, working with local communities to welcome and support people fleeing persecution, conflict and disasters from across the world despite the challenges and pressures this brings. According to Home Office data on those receiving asylum

support Southwark has 2,363 - the second highest number in London after Hillingdon. This represents almost 10% of those receiving asylum support in London. Alongside this we have high numbers of people presenting with No Recourse to Public Funds, and we have welcomed people evacuated from Afghanistan and a significant number of refugees from Ukraine.

We are working through the process of becoming an officially recognised borough of sanctuary. Over the past year alone we have:

- Provided direct support to 756 refugee households (total of 1456 individuals including 556 children). This was an 89 percent increase in the number of households supported in the previous year
- Supported 409 households (total of 779 individuals including 349 children) through our No Recourse to Public Funds Service
- Delivered a wide range of wrap around support to over 200 Afghan nationals evacuated in Operation Pitting
- Supported 301 Ukrainian households (total of 508 guests including 127 children) who have arrived in Southwark.
- Provided longer term Resettlement Support to refugees in Southwark under the various Government resettlement schemes
- Worked with voluntary sector partners ensuring a further 5,000 received various forms of support and advice

Place Making

For many years Southwark's reputation was linked to controversial regeneration projects. Under the Leader and Cabinet, there has been a discernible shift of focus towards resident-led regeneration. We have held two ballots on the Ledbury and Tustin estates, with residents voting for major redevelopment.

The Ledbury Estate redevelopment is a hugely ambitious regeneration project which will provide 340 new homes and transform the estate and surrounding area. In 2021, residents voted in favour of demolishing the four towers on the estate which were no longer safe, in favour of building 265 new council homes and 75 private sale homes. Underpinned by residents' input, wider engagement and a social value programme tailored for the community, this project exemplifies our goals to provide more council homes in the borough and bring social and economic benefits for local people.

In keeping with our commitment to moving towards Net Zero carbon, the Ledbury project exceeds local environmental policy, achieving 89 percent carbon emissions savings through fabric first interventions, connection to the South East London Combined Heat and Power (SELCHP) network, and the use of photovoltaic panels.

Given our central London location, the council seeks to use the potential of development to benefit local people by creating homes, jobs, transport improvements and other positive changes.

Old Kent Road's central London location means that over 400 business are based there, 9,000 people work locally, and 35,000 people live along its three mile length. We are building on Old Kent Road's strengths with a 20 year programme of investment that will deliver tangible benefits for the local community. 20,000 high quality new homes will be built. 35 percent of all new housing will be affordable, a minimum of 15 percent of which must be social rent equivalent homes and 20 percent affordable rent capped at London Living rent equivalent.

Lendlease's **Elephant Park** is one of two major schemes in the council-led regeneration of Elephant and Castle. Overall, the programme will deliver at least 5,000 new and replacement homes for the neighbourhood and create 10,000 new jobs.

Elephant has a rich, cultural tradition and the redevelopment has built upon this by providing more arts, leisure, cultural and community facilities. A new council leisure centre; a new council heritage centre and library; plus a new Southwark Playhouse theatre, have already been delivered.

The project is also creating a more environmentally sustainable future for Elephant and Castle. New transport infrastructure, new and better parks, open spaces and pedestrianisation have already started to shift the neighbourhood's focus away from cars and towards public transport, cycling and walking. A new Northern line tube station and, potentially, the Bakerloo Line extension, will cement the neighbourhood's reputation as one of the best connected locations in London.

The council has played a leading role in securing a commitment to the Bakerloo Line extension in London Councils' new infrastructure framework. The scheme would unlock over 110,000 new homes and 130,000 jobs across the capital. Technical work to prepare for the Bakerloo line extension continues, laying the way for Southwark, Lewisham and TfL to seek government approval for the scheme via the Transport and Works Act in 2025. In Old Kent Road alone, an extension to the Bakerloo Line would enable substantial further growth, with the number of homes rising from 14,500 to 34,500 and the number of jobs rising from 9,500 to 20,000.

In Canada Water, British Land is redeveloping 53 acres of brownfield land to deliver a new town centre, which will include a new high street and town square. Located in former docklands, this scheme will create up to 3,000 new homes, including 1,000 affordable homes; 2 million sq. ft. of workspace and 16 acres of new parks and open public space

As well as delivering much needed new homes (of all tenures) both the Elephant and Castle

and Canada Water schemes are creating huge benefits for the local community in terms of new infrastructure, better public realm, community facilities and improved public transport.

Strong Partnerships

Southwark Council is a well-connected and well-regarded partner and leader within the borough. The development of the 2030 Strategy, and the response to the COVID and cost of living crises have deepened and enhanced existing relationships. A new approach to establishing an Anchor Network of key institutions in the borough was developed earlier this year, and is forming strong relationships as a key strategic partnership group.

One of the commitments in the Council Delivery Plan is to transform the way we work with Southwark's community and faith groups. We recognise that it is important to support a sustainable, confident and resourceful voluntary sector that can work alongside the public and private sector to deliver the best outcomes for our residents. This is evidenced by the scale of our ongoing investment in the sector with around £20 million of grants and contracts with VCS organisations, and by the strength of our partnerships.

We recognise there is still much to do and recently undertook two independent reviews of our grant making and funding of the VCS. One of these was focused on barriers that Black and Minority Ethnic led groups have in accessing funding opportunities and came out of our Southwark Stands Together conversations with local residents.

We have a long history of bringing organisations together to develop joint responses to the challenges we face. Significant examples include our Young People's Mental Health Commission and our Land Commission where we have

been able to bring together key local partners, including the NHS, TfL, local schools and religious organisations and significant key private sector employers in the borough.

The Southwark Land Commission was established in 2022 to explore how more land in the borough can be used for the benefit of all. Bringing together a wide range of independent experts, community groups, academics and landowner representatives, the commission led a collaborative process of panel discussions, workshops, community events and discussion sessions with local groups and landowners to explore and identify areas of land which could be better utilised for social purpose.

The resulting report, **Land for Good**, was published in September 2023, with a key recommendation to establish a social purpose for land framework to put social purpose at the heart of land use.

Southwark's distinctive approach to practical partnership working can be evidenced by the 'Here to Help' programme. This was established in response to the cost of living crisis and involved working with a range of voluntary sector partners including Community Southwark, Citizens Advice Southwark and the Southwark food alliance to support those in greatest need.

Our **Health and Well-being Board** coalesces around a shared Health and Wellbeing Strategy. Following the establishment of the ICB, the council and health are working to integrate services. The council and ICB have agreed to appoint a shared Strategic Director of Health and Social Care, with recruitment starting imminently.

We have a particularly strong relationship both with our Police BCU and the MPS centrally and this extends not just to sharing of information, co-ordination on emergency planning and safeguarding but working closely together on issues like violence against women and girls, joint

work on serious violence, combatting drugs and wider social issues.

We have well-developed mechanisms for joint tasking of police and council resources to deal with emerging issues and use both police and local authority assets and powers to deal with specific issues. The maturity of the relationship means a good level of challenge in both directions and there are many examples of where this has produced results including our strong work with young people around their relationship with the Police. Our Young Advisors have trained police officers and challenged them on police encounters such as stop and search, not only working with local officers but Met Units centrally, such as TSG and Firearms Officers.

We are currently engaged in a joint series of policing conversations with our local communities about their expectations of how they are policed, part of which is taking the police on a journey testing better ways of engaging with our communities locally. Being a good partner also means being prepared to be challenging and a critical friend, and that's what we're prepared to do in our relationship – holding the Police to account on behalf of our local communities and supporting them to be better.

Whilst core relationships are strong, as with the rest of London, there are challenges created by the absence of co-terminosity and by the significant individual challenges faced by the Met Police and NHS.

5

Governance and culture

Governance in Southwark is based on consistent and appropriate behaviours, not process alone. There is clear and highly functional political governance, supported by a strong and experienced senior management team. The political leadership take ownership of decision making within a strong governance and financial framework which members understand and appreciate.

Driven by the council leadership, we are opening ourselves up to more challenge and criticism, and to having difficult conversations with communities and partners. There is significant time and space for public questions and contributions at public meetings – over the past year we have heard 67 delegations at public meetings, demonstrating a productive and open process to hearing what residents and groups think.

We are also making democracy visible in our communities and earlier this year took our Cabinet meeting to the Brandon Estate at the Jack Hobbs Centre, a local community hub that has been improved following work with a partnership of resident organisations. The Brandon Estate is a special place for many – it has faced some significant challenges over the years, and through pro-active work by the community with the council there is now greater community activity and pride in the place.

We have a culture of transparency when things go wrong and seek to deal with issues openly. This can be evidenced by recent issues with the creation of low traffic neighbourhoods where the council has been openly reflective.

Officer informal governance is well established, with weekly Corporate Management Team Meetings, monthly Directors Forums and a cross council Leadership Network for managers.

Following the election in 2022, the council revised its informal governance arrangements into a member-led structure shaped around

regular performance challenge sessions, Lead Member briefing meetings, a Leaders Board and Strategic Policy Board.

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. Their in-depth **reviews** from the past year were recently reported to the council's Cabinet.

Challenge is also offered by the Audit, Governance and Standards Committee, which provides independent assurance of the adequacy of the council's governance arrangements, including its standards regime, the risk management framework and the associated control environment.

Southwark's culture has long been based around the delivery of excellent services, underpinned by strong values. The determination to deliver for our residents is the golden thread that runs through everyone at Southwark Council. We recognise, however, that in seeking to deliver the best possible services that our culture can sometimes feel paternalistic.

At its heart, people power is therefore about a fundamentally different relationship between residents and the council. We recognise in moving to a more relational, people powered model that we need to develop an organisational approach which empowers staff and shifts our organisational culture so that collaboration is a default and staff feel they have the agency to make a difference.

The council has invested in a new role of Director of People and Organisational Development who is working to develop a new People Strategy early next year. This will follow our first staff survey since 2018, which launched in September 2023 to ensure that colleagues feel valued and listened to. The new strategy will review and renew our values and behaviours and ensure staff can contribute to the future workplace.

6

Financial planning and management

The council has robust financial governance arrangements with regular management and public reporting of its financial position and has a clearly defined approach to dealing with the challenges it faces. From 2024-25 onwards, the council will be publishing a 3-year budget plan underpinned by a supporting financial strategy that was presented to our October 2023 Cabinet (enroute to Council Assembly in November).

In previous years, a 1 year budget was adopted, but going forwards the organisation will be looking to use a longer planning time-frame as a basis to look at organisation-wide and transformational savings and growth opportunities.

The council's General Fund revenue budget has consistently balanced over the years and the council has built a prudent level of General Fund reserves over this period. Whilst the council has a substantial amount of external debt, this is largely a consequence of its ambitious housebuilding programme and is proportionate to the income stream supporting it. We are seeing continued demand and cost pressures in homelessness services, for those who have no recourse to public funds, and in the costs of providing transport to SEND children. Borrowing remains well within prudential indicator limits.

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. Specific challenges such as the Housing Revenue Account, High Needs pressures and Temporary Accommodation overspends are being tackled through the use of focussed 'Budget Recovery Boards'. These provide an enhanced level of support and scrutiny to challenging areas and engage senior professional colleagues from across the organisation to develop and implement solutions.

Indeed, our Housing Revenue Account is where our greatest financial pressures lie. Our 2022/23 outturn left us with c. £19m reserves and our most recent Monitoring Report to Cabinet for delivery of the 23/24 budget was forecasting a £13m+ pressure in addition to a capital pressure which will place further revenue cost onto the HRA in 24/25. The council is considering immediate financial interventions to mitigate our in year pressure and also to return the HRA to balance in the mid-term. Addressing these challenges is a high priority cross-organisation activity.

The council is the largest council landlord in London and one of the biggest in the country. Safety is always the top priority. The council has drafted a new 'Asset Management Strategy', which responds to new building safety legislation and sets out the council's approach to investing in council homes, blocks and estates. This draft strategy also includes updating and 'greening' heat networks as well as moving forward with plans agreed by residents to rebuild the Tustin, Ledbury, and Aylesbury and Maydew estate.

We have undertaken a full review of our housing related capital programme (both General Fund and Housing Revenue Account) in the last 12 months. This has emphasised the need to reprioritise and re-programme works into an affordable envelope and timescale, particularly on the Housing Investment Programme. A report entitled '**Southwark Construction Strategic Plan**' was approved by cabinet in March 2023 and a similar report for the council's Asset Management Strategy is in train. Together, these documents set out how the council will continue to deliver new builds and maintain existing stock in an affordable, sustainable way.

Southwark Council's Fairer Future Procurement Framework (FFPF) sets out how the council will use its procurement to support the delivery of the Borough Plan and Fairer Future Commitments and the processes and practices that are needed to do this.

The Environment and Community Engagement Scrutiny Commission Report '**Climate Finance-Financing Southwark's Green Transition**' commended Southwark on the progress made in meeting its ambitious 2030 net zero target, with the weighted carbon intensity of the LBS pension fund reduced by 59 percent in the five years to 31 March 2022.



Strengthening our organisation: transformation capacity and priorities

We have good practice to build on from across the organisation. We excel in many areas of service provision, and are strengthening and growing communities of practice to support organic growth alongside strategic transformation programmes.

However, improvement and transformation capacity varies across the organisation. Over the past ten years the council has favoured more departmentally embedded improvement driven by departmental goals and priorities, with organisational impact captured through quarterly performance challenge meetings with Lead Members.

We recognise that organisational infrastructure and corporate capacity has not benefited from enough focus and investment. In seeking to develop corporate capacity, the Chief Executive quickly set out to strengthen the corporate centre and senior management team via two phases of senior management restructures in the past year.

The Corporate Management Team has been strengthened by the appointment of Assistant Chief Executives for Governance and Assurance, and for Strategy and Communities.

In recognition of the need to build corporate capacity, investment is being made in Strategy, Performance, HR, Change and Communications. This will be further bolstered by a council wide review of corporate resources, which has been completed over the summer and is now being readied for delivery. This work will seek to consolidate corporate functions in the council's corporate centre and bring common services together to create critical mass and greater efficiency.

Upon her arrival, the Chief Executive quickly identified the HR function as an important priority for improvement. A new post of Director of People and Organisational Development has been permanently appointed, bringing together the management of people resources with that of payroll and council buildings for the first time. Through a One People Service Transformation Programme, progress is being made to strengthen operational HR delivery and build the strategic capabilities required to achieve the council's new approach. This includes the establishment of new teams to support recruitment and organisational development.

One of the areas where significant development is needed is in data, intelligence and insight. At present all resource is dispersed throughout the council, and whilst there are high quality examples of work such as the JSNA, council and borough wide intelligence is more limited.

The council and its partners have recently made a circa £5 million bid to a national programme to allow us to develop a blueprint for intelligence and insight which will drive the resources review in these areas (whether the bid is successful or not).

We acknowledge that investment in the council's core IT infrastructure has fallen behind, and there is now a renewed focus on driving through a rapid improvement programme over the next twelve months.

One of the primary issues is WiFi connectivity, coverage and quality of service. With the first stage focussing on the Tooley St hub during the Autumn of 2023, contractors and partners are installing new cabling and wireless access points. That will resolve the issues of poor service. In addition a capital refresh programme is being brought forward to 2023/24 for a full laptop replacement, upgrade to windows 11 and Microsoft 365 implementation.

8

Conclusion and key questions

This is a critical time for Southwark as we commence our transformation programme and get ready to deliver our 2030 Strategy with partners.

We would particularly welcome feedback on these questions as part of the Corporate Peer Challenge Team's assessment:

1. How can we further bolster our partnership readiness to work together collaboratively and at pace to deliver the 2030 vision?
2. How can we further strengthen our council's culture in ways that empower, support and inspire our workforce to work in collaboration with our residents?
3. To achieve our collective ambitions, what more needs to be done to build organisational capacity and ways of working to enable us to move at pace?
4. What critical success factors should we consider as we embark on our transformation programme?
5. How might we better square the circle of being ambitious, innovative and a leading voice in local government with tackling the basics of providing consistently good services to residents?

Item No. 8.	Classification: Open	Date: 5 February, 2024	Decision Maker: Audit, Governance & Standards Committee
Report title:		Leisure Insourcing – Transfer and First 7 Months	
Ward(s) or groups affected:		All Borough	
From:		David Pugh – Head of Leisure Insourcing	

RECOMMENDATION

1. That the Audit, Governance and Standards Committee note the information in this report in relation to the insourcing of the leisure service and first seven months of operation.

BACKGROUND INFORMATION

2. This report provides an overview of the transfer of leisure service which occurred on 21 June 2023 and outlines progress to date with the first seven months of operation.
3. Following the recommendation of the GW0 report in March 2021, on 14 September 2021, the cabinet considered the GW1 Procurement Strategy report for insourcing the leisure service and approved the plan to bring the leisure service back in-house in June 2023 at the expiry of the current contract with Sports and Leisure Management Limited (operating as Everyone Active). A further update report was taken to Cabinet in December 2022.
4. As noted in those reports, the council’s primary aims and objectives for the insourcing strategy are:
 - To give the council direct control over its leisure services and enable, in time, significant innovation in leisure provision.
 - Transferring the service as smoothly as possible for customers
 - Transferring the service as smoothly as possible for staff
 - Wide reaching cross council and whole system collaboration, which further enhances the health and well-being of Southwark’s residents.
 - Delivering a value for money service.

KEY ISSUES FOR CONSIDERATION

5. Officers updated the Audit, Governance and Standards Committee in February 2023. Specific reference was made to:
 - The arrangements for building cleaning and plans for consideration of insourcing cleaning activities.
 - The exit of the previous contractor and impact on asset maintenance and customer attendance.
 - Online booking arrangements and ensuring equitable access to services in the future.
 - Access to data and measurement of participation.

At this time, Members requested that officers return with a further update in 2024 to provide a review of the transfer and progress against expectations to date. An update is provided in **Appendix 1** relating to the matters raised.

Overview of Transfer

A short summary of outcomes for each thematic area of work follows:

6. **HR** – Everyone Active provided TUPE information in accordance with regulatory requirements. In total, this equated to information on 443 staff, covering 934 individual contracts. A team of officers spent an initial period checking the accuracy of information provided, including validating inaccurate and missing data. A key focus was placed on clarifying information with the TUPE transferring colleagues, and integrating them into council processes and systems.
7. **Finance** – A Target Operating Model and a budget was established for the delivery of services in 2023/24. This budget has been subjected to ongoing reporting and review. At this time it is anticipated that the service will be delivered on budget.
8. **ICT** – A new booking and payment system was operational at transfer; although challenges remained over connection of a broadband connection to individual facilities, due to network provider delays, and in implementing a fully functioning automated gate system. However, effective contingency planning ensured that all services remained accessible on transfer. Implementation of a new website and app proved challenging, principally due to differences with the outgoing contractor's system. These matters have now, predominately, been addressed and there is general satisfaction with the current provision, whilst work is ongoing to deliver improvements based around customers' experiences.
9. **Procurement** - Over 40 contracts have been put in place to support operation of the service and colleagues continue to explore opportunities for improving quality and value through alternative vendors in accordance with Contract Standing Orders. Appropriate staff are trained and able to

use the council system for the daily procurement of goods and services.

10. **Health & Safety** – The service is using the council’s Assure software to meet accident, incident and reporting requirements. A new software system, called ‘Harvard’, in recognition of local academic ‘John Harvard’, has been implemented to meet all quality system requirements. The system continues to evolve and provides the foundation for storage and retrieval of information relating to safe operation of the service.
11. **Facilities management** – each leisure asset has been the subject of a full asset review, undertaken by independent external facilities’ management consultants, BSP. The review culminated in a full and detailed survey at each centre, which outlines repairs and maintenance requirements in the short, medium and long term, identifying whether the work falls to Everyone Active to remedy, or is a council responsibility. The surveys also flag opportunities for investment in more climate efficient plant and equipment, to support the borough’s climate commitments. Some significant asset-based issues have arisen, over recent months, resulting in some closure of facilities post-transfer, to enable issues to be addressed and equipment restored to an appropriate standard. Planned Preventative maintenance schedules are now in place and appropriate investment is being made.
12. **Marketing and Communications** – a communications plan was put in place prior to transfer to ensure customers remained informed of the changes and any impact on access to facilities and booking arrangements. The same programme remained in place at transfer, and there was minimum disruption to service provision, and a ‘same day’ seamless transfer was put in place. A full marketing strategy and marketing plan has also been developed. Staff benefitted from supply of a new, high quality uniform and all signage in the centres was changed to reflect the council’s new role in operating the facilities.
13. **Contract Exit (EA)** – Transfer occurred at midnight on 20 June and services resumed at noon on 21 June. A reconciliation of liabilities is underway to ensure that the contract exit obligations of both parties are fully met.
14. **Legal** – legal officers are supporting all elements of the new services. This includes a wide remit of areas across the programme including, by means of example, contracts for new procured services, TUPE transfer, GDPR and the Scheme of Delegation.
15. **Public Health** – leisure officers are working closely with colleagues in Public Health to ensure that current targeted public health programmes continue (e.g. Steps to health GP referral programme), as well as starting discussions about new opportunities afforded by the insourcing approach. A wider piece of work has recently commenced, to support this strategic development work, which will include discussions with both officers across the council (particularly public health, adult social care and children’s

services) and the wider Integrated Care System. This work has commenced, and will culminate in a new strategy and action plan later this year.

Post Transfer Performance

16. The service was able to transfer on 21 June 2023 as planned and in general, has been well received by Southwark's residents. Some of the challenges faced, and solutions implemented in the first seven months of service, are outline below.

Assets

17. A full condition survey of the buildings pre-transfer, identified areas that required immediate works including; CCTV, Boiler Works, Lift Replacement, and other works, totaling £675,000. This cost was shared with the outgoing contractor and arranged by the council.
18. The service organized and managed the delivery of the council's planned capital programme for 2023/24 including; Pontoon Replacement at the Watersport Centre, essential repairs to Dulwich Roof, Peckham Pool Calorifiers replacement, Castle Fire Escape upgrade, automated access gates repair and replacement, fitness equipment repairs and aesthetic improvements at various centres.
19. There were immediate issues identified with some pool plant and swimming pools at Peckham and Dulwich, which resulted in temporary closures. This required significant urgent maintenance work in the swimming pool plant rooms. The issues have now been resolved, although issues with external gas supply at Dulwich which was outside the council control and led to further unavoidable closure of Dulwich pool in the late autumn
20. Connectivity to the broadband internet system was delayed at all sites due to a failure of the service provider (Virgin) to meet agreed delivery timescales. This was mitigated by the implementation of a contingency plan to install 5G connectivity prior to transfer.
21. A full lifecycle preventative maintenance programme has now been put in place and an approved capital programme of £8 million pounds is available over the next four years to maintain and improve asset standards and sustainability.
22. There is a programme of investment identified to support the council's climate ambitions around energy efficiency and carbon reduction. A package of measures totaling £600,000 will be implemented over the next four months. A grant application to the DCMS Public Service Decarbonisation Scheme, for £5 million, has been submitted for provision of Air Source Heat Pumps at four centres.

Staff and Harmonisation

23. 437 employees transferred from the contractor's employment to council employment on 21st June. All employment continued on employee's current terms and conditions of employment. A process is currently in progress to achieve harmonisation of current employment arrangements with council terms and conditions, with a target date of implementation of 1st April 2024. (Staff are protected by TUPE so do not have to transfer onto Council terms and Conditions, should they choose not to do so).
24. A comprehensive induction and reorientation plan was put in place for all staff and continues to be delivered.

Communications and Marketing

25. A communications and marketing plan ensured effective communication with customers to achieve a seamless transition between services. Key signage was replaced overnight, the booking and payment system went live, deep cleaning took place overnight, staff in new uniform were ready to greet customers for the start of the new service.
26. Post transfer, the web site, the App, and social media plans were activated and have been subject to continuous monitoring and improvement where practical.

Finance

27. This is the first year of trading for the new leisure service and information collated on a continuous basis. The budget for 2023/24 was built on a number of assumptions. As anticipated, the circumstances of actual trading are proving different to some of the assumptions made. However, the overall forecast for the financial year 2023/24 is that the service will be delivered within budget.
28. There were various exceptional circumstance in June to September 2023, due to operational challenges and data cleansing exercise, which affected income levels achieved, however good performance from the autumn onwards has compensated for these immediate issues, with a combination of factors supporting the position, including beneficial changes to VAT regulations, and variations between pension scheme uptake assumptions and the actual position post-transfer.

Policy framework implications

29. The management of the leisure centres and delivery of excellent leisure services is directly linked to the council's commitment to a 'Fairer future for all', in particular: The Council Delivery Plan (2023 – 24) sets out a series of commitments across eight themes. Leisure centre provision contributes to the delivery of these commitments. In particular, the Plan

states,

“Establish a new in-house active Southwark service, with access to a wide range of activities, across our pools, leisure centres, outdoor gyms, parks, and sports facilities’.

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

30. In terms of the insourcing process, there has been limited impact on the community as the service has been transferred on a like for like basis.
31. In terms of the wider service offer, as noted above, the council is developing a new leisure strategy. The aim is to ensure that opportunities for universal leisure, alongside targeted health and well-being programmes are maximized so that the in-house leisure service contributes most positively to the delivery of the council’s, and wider health system’s, wider strategic outcomes. This will ensure that the insourced service maximizes opportunities to deliver specific objectives and priorities, as set out in the Council Delivery Plan, the ‘Southwark Stands Together’ pledges, with a targeted focus on local need, as identified through data such as the JSNA, and the strategic objectives of relevant partners and stakeholders. In particular, this work will focus on the scope of the in-house leisure service to help to address health and other inequalities in Southwark.
32. Potential community impact would relate to any changes implemented based on the result of the strategy. Equalities impact assessments will be carried out during strategy development, to understand and respond to, any community impact.

Equalities (including socio-economic) impact statement

33. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well-being of the local area, can be secured. The details of how social value is within the insourcing of the leisure services are set out in the following paragraphs.
34. One of the council’s key objectives of insourcing the service was to increase the numbers of locally employed people who will benefit from the council’s favourable employment terms and conditions.
35. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that all staff and contractors engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate.

36. The council has appointed four Leisure Team Member Apprentices on a pioneering programme, working across all leisure sites for four days a week, with one day focused on training.

Health Impact statement

37. The long term objectives of insourcing the leisure services are directly linked to reducing health inequalities and improving the opportunities for residents to lead healthier lives through the development of a more resident focused service.
38. The Leisure Team is currently in discussion with key health stakeholders such as the Public Health team and others in the council, and across the wider health system (ICS) to develop the long-term vision for the service. This will ensure that it remains closely aligned to current policies and strategies for reducing health inequalities and providing equitable access to services for all residents.

Climate change implications

39. The service is seeking to be at the forefront of the Council's Climate commitments helping to deliver on the key objectives from the Climate Emergency Action plan approved by cabinet in July 2021.
40. A full energy assessment and impact study has been completed and a sustainable energy programme of works and investment has been identified and is in progress across all sites.
41. A programme of short term measures amounting to a £600k investment has been progressed covering; LED Lighting, Replacement Swimming Pool Covers and Building Energy Management System Software. This is estimated to provide an annual carbon reduction of 287 tonnes and annual revenue saving of £150,000 in 2024-25, and a total of £345,000 by 2027.
42. The council has set some high targets for the reductions in carbon emissions for public building by 2025. Leisure Centres represent a significant part of the council's total output for public buildings (30%) and a big opportunity to make a significant difference. A new DCMS funding stream, the Public Service Decarbonisation Scheme opened in October 2023 and an application for funding was prepared and submitted. If the bid is successful, it will require a council contribution of £600k towards the total project costs of £5.1m to provide air source heat pumps and solar energy conservation and decarbonisation across four leisure facilities. This investment should achieve a 556 tonnes CO₂e reduction in carbon emissions.
43. A further grant application of £250,000 has been made to Sport England to support investment in solar energy solutions to reduce the cost impact

of energy cost rises.

Financial implications

44. The 2022-23 base budget agreed for leisure services was £4.9m, based on a Target Operating Model. After this budget was set, the economic situation has become more challenging, the cost of harmonization has been finalized, and the level of maintenance required across the sites has become clearer. This resulted in a further commitment of £1m being agreed for leisure through the 2024-25 budget-setting process.
45. Simultaneously, however, future savings have also been identified, including savings associated with climate investment, additional income, and also savings linked to the transfer of operation from the Seven Islands leisure centre to the new Canada Water leisure centre in 2025. The savings equate to £1.6m, which will offset the additional investment made, as well as reducing the cost of the base budget.
46. All related income and costs are reported within the council's main reporting system. All performance continues to be monitored and reported as part of the departmental revenue budget monitoring process.
47. The service expects to deliver a 2023/2024 Revenue budget in line with expectations. A reduction in the level of anticipated revenue due to operational challenges at transfer have been compensated by an over estimation of costs, creating a balanced forecast for year end.
48. The mobilisation and transfer process was also enabled by a cash reserve of £2.4m, which was approved by cabinet in 2021. It is anticipated that the balance of this reserve will be drawn down in full this financial year.

Marketing and Consultation

49. A full marketing and communication plan is now in place across the service, to help promote services across the borough.
50. Internal stakeholders – relevant teams and departments such as public health and adult and social care continue to support delivery of the new service and meet to discuss, develop and implement joint initiatives and projects.
51. External stakeholders and residents – high level consultation with existing users has taken place through the Vision 2030 programme. Further consultation will be undertaken as part of the Leisure Strategy development process, during 2024.
52. The Leisure Centres have a planned programme of consultation in place using a variety of data collection methods, including: mystery shopping, monitoring of complaints, monitoring of social media sites and collection of

national promotor score data, through the membership system.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Assistant Chief Executive – Governance and Assurance (Con/KM/20240126)

53. There are no specific legal implications arising from the recommendation in this report, which is an update report in respect of the insourcing of the leisure service in June 2023 and the first seven months of operation.
54. Staff from Legal Services on behalf of the Assistant Chief Executive – Governance and Assurance have provided advice throughout the transition of the service, and will continue to provide advice to officers on any legal and governance issues arising going forward.

Strategic Director of Finance and Governance (ENG23/137)

55. The report is requesting Members to note the progress that has been made in respect of the delivery of the project plan, the challenges and opportunities associated with insourcing, and management of risk in respect of the insourcing of the leisure service.
56. The strategic director of finance and governance notes the financial implication on the funding arrangements and understands that any mobilisation costs will be incorporated within the departmental revenue budget monitoring and reporting arrangements (including earmarked reserves).
57. Staffing and any other costs connected with this report to be contained within existing departmental revenue budgets.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
(Public Pack)Agenda Document for Cabinet, 08/03/2022 11:00 (southwark.gov.uk) - Agenda Item 13	Leisure/ Leisure Insourcing 160 Tooley Street, London Borough of Southwark, SE1 2QH	David Pugh 07889303163

APPENDICES

No.	Title
Appendix 1	Members Update from previous meeting (Feb 2023)

AUDIT TRAIL

Lead Officer	Toni Ainge, Director of Leisure	
Report Author	David Pugh, Head of Leisure Insourcing	
Version	Final	
Dated	25 January 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant Chief Executive Governance & Assurance	Yes	Yes
Strategic Director of Finance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		26 January 2024

Appendix 1 – Members Update from previous meeting (Feb 2023)

Cleaning

We are working closely with our delivery partner Rapid Clean. In addition to our own daily and weekly quality inspection reviews, we meet with Rapid on a monthly basis to review their quality checks and outcomes and identify any areas for improvement.

The current delivery score across the service, against agreed standards is 95%. Any monthly score below 90% triggers financial penalties for the service provider. We have not been required to impose any penalties to date.

Site Investment Repair and Maintenance Post Transfer.

Following transfer, significant work has been undertaken to meet operational service requirements. The principal work undertaken is shown in the table below.

Site	Asset	Amount
Castle	New Turnstiles	£75,000
Peckham	New Lift	£70,000
Castle	Reinstate lift	£10,000
Peckham/Castle	Sauna repairs	£10,000
Camberwell	Roof Repairs	£70,000 (another £180k to spend)
All sites (Pools)	Repairs and replacement to pumps, pipework, valves etc.	£90,000
Castle	Front Doors	£7,000
All Centres	Heating, Ventilation & AC	£130,000 (plus £100k servicing and smaller repair works)
All Centres	Alarm Systems	£30,000
Dulwich	Additional roof works	£70,000
Peckham	Replacement hoist	£8,000
All Centres	General building fabric works	£95,000
All Centres	MEP works (mechanical, electrical, plumbing)	£70,000
All Centres	Deep Cleaning	£80,000
TOTAL		£815,000

In addition to these works, we are investing heavily to improve the efficiency of our building and reduce our carbon footprint. This includes investing in Pool Covers (£97k), LED Lighting upgrades (£300k), Solar PV (£568k), Improvements to our Building Management Systems (£150k) and replacing all the existing gas boilers with Heat pumps powered by green electricity (£6m).

Based on our experience of operating the facilities and the outcome of detailed condition surveys, we have secured a capital investment programme of £8 million pounds over the next four years to ensure a high quality environment and customer experience for future service delivery. The preliminary programme for 24/25 includes:

- Replacement Air Handling at Dulwich (possibly Peckham and Camberwell)
- Changing room refurbishments across the centres
- General building fabric improvements across the centres
- Replacement of aging pool plant.
- Climate change resilience works
- Replacement of CCTV systems

Online Booking Arrangements

Work has continued to ensure effective and equitable access to online booking facilities. We have identified six key issues relating to website and App functionality since transfer. We have resolved three relating to the use of filters on the android App. We have three outstanding issues, which link to the provision of notifications to customers regarding class waiting lists. The three outstanding issues require additional software development, which we have commissioned and expect to be effective by the end of March. We continue to review customer comments on the website and App provision and have a team of colleagues in customer service focused on delivering improvements where possible.

Access to Data and Measurement of Participation.

Data continues to be collected via the new Gladstone 360 booking system and reporting systems developed. We expect to have full reporting and KPI capability by the end of March.

Attendance data continues to be collected since transfer. The data is impacted by the challenges we encountered at transfer with the automatic gates. In the absence of fully functioning automated gates until October 2023 the attendance levels recorded in each centre are understated.

		Target	Actual(Forecast)	Comments
Q1 – April May 2023	EA	740,000	738,824	Data supplied by EA in accordance with contract reporting requirements.
Q2 – June Sept 2023	LBS	765,000	318,400	System and automated gates data collection issues. Understated attendance levels.
Q3 – Oct – Dec 2023	LBS	676,000	569,893	Closures and further work on data collection methodology, currently not

				in line with EA methodology.
Q4 - Jan – Mar 2024	LBS	786,000	(786,000)	Forecast
Total		2,967,000	2,413,117	

Membership

The Table below illustrates the total number of paid subscriptions received by the Council following transfer in June 2023. The target model is to achieve 21,000 Direct Debit (DD) members and 4,000 Annual members. Following a cleansing of data provided by the previous contractor, we are now building towards the target and expect by financial year end to reach the target level.

	Aug*	Sep*	Oct	Nov	Dec
No. of DD members^	17,609	17,696	17,182	18,762	18,907
No. of Annual members	3,149	3,366	3,293	3,216	3,409
Total	20,758	21,062	20,475	21,978	22,316
*Figure included old DD members which were incorrectly transferred from EA					
^ as per DD 1st of month run, does not include new joiner (pro-rata)					

Item No. 9.	Classification: Open	Date 5 February 2024	Meeting Name: Audit, Governance and Standards Committee
Report title:		Annual report on corporate risk	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance	

RECOMMENDATION

1. That the audit, governance and standards committee note the annual report on corporate risk and insurance.
2. That the audit, governance and standards committee reviews the current corporate risk register and provide comments to officers for their consideration prior to the publication of the register by the Strategic Director of Finance.

BACKGROUND INFORMATION

3. This report provides an annual report on the council's key risk register. The key corporate risks were last reported to the committee in February 2023. This report provides an annual update.
4. This report also summarises the corporate risk management arrangements and reports on details of the council's risk profile and risk categories

KEY ISSUES FOR CONSIDERATION

Overview

5. 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

6. The council's corporate risk register is prepared following joint assessment by officers of all departmental risks. Given the range of services provided by the council, these lists are long and detailed and will be rated from low to high. Many risks are of a very specific nature and are unlikely to be translated directly on to the corporate risk register. However, they may be consolidated into corporate risks in so far that cumulatively they create a higher risk to the council (e.g. loss of or reduction in funding sources; additional demand pressures; etc.).
7. In the process of preparing the corporate risk register, concentration is placed upon moderation of risk ratings to ensure some consistency across the council and to confirm that appropriate mitigations are in place to manage the risk, as far as that is possible.
8. This refresh of the corporate risk register illustrates the movement in the risks from previous year. It should be noted, in particular at this time, there have been a number of corporate risks that have increased in the last 12 months. Not least, these increases in risk are symptomatic of an extremely uncertain economic position, which impacts directly on the management, operations and financing of a local authority.

Risk Categories

9. The council uses the following risk categories to capture risk:
 - Economic (e.g. credit crunch impacting on service delivery)
 - Financial (e.g. budgetary constraints)
 - Reputational (e.g. failures of service delivery which hit the press)
 - Staffing & Culture (e.g. recruitment & retention)
 - Operational (e.g. services not being delivered)
 - Legal & Regulatory (e.g. not complying with a statutory duty)
10. The 2024 split of number of risks by risk category is displayed in the table below. The categories remain at a consistent level compared with the percentages last reported.

Risk Category	Percentage (%) Jan 2023	Percentage (%) Jan 2024
Economic	9	5
Financial	20	22
Reputational	8	9
Staffing & Culture	9	10
Operational	34	34
Legal & Regulatory	21	20

Corporate Risk Register

11. Each department has a departmental risk register. These are updated via the network of departmental risk champions who work with each departmental senior management team to maintain a current risk register. Each risk register records the risk, assessment score, ownership and key controls and action plans to manage each risk.
12. Many departmental risks represent a core component of service delivery and therefore will form part of the day to day performance management of the department.
13. Each risk requires mitigations. These outline the current controls in place to manage the risk and identifies, where necessary, any further controls needed to reduce the risk.
14. These individual risk registers are stored on the council's risk management software system that are used to build the corporate risk register.
15. The departmental risk champions supported by the corporate risk and insurance manager collectively validate the individual departmental risk registers and carry out a review and aggregation exercise to identify the key risks facing the council as a whole. This base exercise was recently repeated and the corporate risk register updated as appropriate.
16. The risks on the corporate risk register have been revised and further consolidated where appropriate since the key corporate risks were last reported to the committee. The key corporate risks also align with the unique challenges of the current economic landscape and especially the cost of living crisis.
17. The table below provides a breakdown of the number of risks (by their risk score range) across all council departments.

Risk Assessment	Score Range	Number of Risks	
		Jan 2023	Jan 2024
Red	76 - 100	18	13
Amber	37 - 75	66	70
Yellow	22 - 36	53	42
Green	1 - 21	27	32

18. The total number of risks in the database is currently 157, which is a slight decrease in the number of risks reported in 2023, which were 164.
19. Work is ongoing within departments on reviewing their risk registers. Following the corporate restructure, work was undertaken to refresh the JCAD system to reflect the departmental changes. With continued changes including staff leaving the council and teams changing their reporting line, this work is also ongoing. The group continued to meet in 2023 to discuss any relevant issues

but the intention for 2024 is to reintroduce focussing on a theme, with finance, procurement and business continuity tentatively scheduled.

20. The risk management policy statement and strategy and associated procedure documents were refreshed as noted in last year's report.

Key corporate risks

21. As set out above, following a review and validation of the combined departmental risk registers and an aggregation exercise, the top risks across the council have been identified. These top risks are attached in appendix 1.
22. The top risks are generally those that have been assessed as amber or red and which appear in more than one departmental risk register, and are therefore relevant to more than one department. These top risks are those risks which often require most proactive management to ensure that all appropriate mitigation actions have been considered and are being implemented as far as possible.
23. In advance of reporting to the audit, governance and standards committee, these have been reported to CMT who going forward are scheduled to consider the register on a quarterly basis. CMT have also planned a risk session to review the register in early springtime.

Policy Implications

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

Community Impact Statement

25. This report is not considered to have direct impact on local people and communities; however the management of risk is key to the successful achievement of the council's objectives.

Resource Implications

26. This report is not considered to have direct impact on resource implications, although the management of risk is a part of the effective management of resources.

Consultation

27. Consultation has not been undertaken.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

28. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		


APPENDICES



No.	Title
Appendix 1	The Key Corporate Risks as at January 2024



AUDIT TRAIL


Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Laura Sandy	
Version	Final	
Dated	January 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Assistant Chief Executive, Governance and Assurance	No	No
Strategic Director of Finance	Yes	Yes
List other officers here	N/A	N/A
Cabinet Member	No	No
Date final report sent to Constitutional Team	25 January 2024	



APPENDIX 1 – Corporate Risks and High Level Mitigations as at January 2024



Risk Description	Mitigation	Risk
<p>Acute Socio-Economic Factors</p> <p>Failure or lack of capacity to react to wider economic and socio-economic trends including changes to central government fiscal policy, inflation and interest rate changes, recession, changes in numbers of homeless, market forces (e.g. London housing market), international and domestic migration; all of which threaten to create either funding shortfalls or compromise the delivery of council services.</p> <p>The current levels of high inflation causing global supply chain disruption (increases in production costs, wages, raw materials, energy, transportation, labour) leads to complex procurement issues particularly in the construction and maintenance sectors such as significant increases in tender prices, lack of contractors suitably qualified and experienced to be appointed within the available budget, or lack of appetite from bidders limits the council’s ability to meet targets or complete projects</p>	<ul style="list-style-type: none"> • Flexible Medium Term Financial Strategy, which incorporates changing economic trends, reviewed regularly and reported to cabinet • Capital programme subject to continual review and update to ensure delivery of council priorities • Regular monitoring of performance against the council delivery programme by strategic directors and cabinet members • Active but flexible social regeneration, transformation and development programmes which may be deferred, cancelled or scaled down as high interest rates increase revenue costs • Active local economy engagement to communicate issues and to help mitigate risks to business and employment • Delivery, implementation and monitoring of new economic strategy • Regular update of fees and charges and review of new income generating schemes and grants to help mitigate financial impacts and risk of cuts 	<p style="text-align: center;"></p>
<p>Cost of Living</p>		




<p>Impact of cost of living crisis will continue to add a strain on the welfare benefits systems and increase demand for council services such as social care and health, welfare and emergency support and temporary accommodation.</p> <p>The return to higher levels of inflation, the unpredictability and specific incidences of high inflation rates (e.g. building and energy costs) create revenue and/or capital budget gaps when compared to the level of resources available, creating conflict within the council budget structure</p> <p>There is a risk that the necessary resources required to support business and residents from the adverse impact of rising costs are not available from government and this will impact adversely on the funding of other council services and create budget gaps</p>	<ul style="list-style-type: none"> • Maintenance of reserves and appropriate allocation of earmarked council reserves • Inclusion of contingency within budgets • Budget challenge process implemented and followed • Budget monitoring and regular reporting on changes in the cost of delivering services with mitigating actions taken where adverse variances are predicted and adjusting forecasts as necessary • Continual lobbying of government to meet the needs and demand pressures created by the cost of living crisis and aftermath of the pandemic • Continued close monitoring of impacts on council services and local economy • Pan London engagement to communicate with government, the voluntary sector and other agencies • Delivery, implementation and monitoring of new economic strategy • Embedding of Southwark Stands Together programme and related cohesion work to ensure fair and balanced community recovery • Engagement of senior managers with Integrated Care Boards to strengthen the partnerships between the NHS and local government to build health equality within Southwark • Cross departmental programme board to coordinate activity • Fast and effective delivery of support through Cost of Living Fund • Liaison with VCS and key partners to delivery community referral pathway • Provision of warm hubs • Assistance/support for customers to ensure income maximisation • Delivery of the energy savers scheme in partnership with CAB 	
<p>Medium Term Financial Planning</p> <p>The continued uncertainty regarding local government funding beyond 2023-24, which is exacerbated by both the</p>	<ul style="list-style-type: none"> • Financial remits presented to cabinet at least twice a year • Annual budget challenge and options appraisal process in place including budget scrutiny 	




<p>changes in the government’s fiscal policy and potentially changes to population figures following the 2021 census.</p> <p>The outcome of the census carried out at the height of the covid crisis creates a under estimated population size impacting on external funding, including government grants based on an artificially low base compromising the availability of resources to deliver existing council services</p> <p>These are likely to have a significant impact on overall council funding levels which will present challenges in balancing the medium term financial strategy and in preparing and presenting longer term budgets</p>	<ul style="list-style-type: none"> • Robust monthly budget monitoring to review progress towards targets and regular reporting to Cabinet • Creation of options which reflect the council’s priorities and ambitions and safeguard the provision of mandatory functions • Overview and Scrutiny, both regular oversight and specific budget oversight • Planning future budgets as far as possible to show financial risks related to funding uncertainty • Statutory reporting on robustness of budget estimates • Active engagements through S.151 Chief Finance Officer networks to seek clarity on future funding • Maintenance of adequate levels of balances and reserves • Consistent external audit opinions sustained over time • Oversight and scrutiny by Audit, Governance and Standards committee 	
<p>Housing Revenue Account</p> <p>Overspends on the housing revenue and capital accounts result in the depletion of housing reserves resulting in an inability to set a balanced revenue budget or deliver on the council’s housing investment programme.</p>	<ul style="list-style-type: none"> - Creation of recovery plans, scrutinised and supported at a senior level - Review and refresh of the capital investment programme, including affordability criteria and prioritisation - Development of a medium-term strategy to restore reserves to a more sustainable level - Minimisation of borrowing across the housing investment programme in order to limit impact on the revenue account - Maximisation of income sources, be they revenue (e.g rents) or capital (e.g grant funding) - Review of procurement approach to maximise value for money 	
<p>Schools and Education</p> <p>Existing significant school budget</p>	<ul style="list-style-type: none"> • Revised borough-wide strategic plan based on clear principles for right 	

<p>overspend and/or deficit balances coupled with the challenge of rising numbers of surplus places in primary schools creates pressure on school budgets and ultimately council budgets plus other direct consequences as savings are identified to try and achieve a balanced position.</p>	<p>sizing the school estate through removing surplus capacity from the system.</p> <ul style="list-style-type: none"> • On-going work with schools to ensure schools in financial difficulties follow the scheme of management • Creation of recovery plans plus ongoing monitoring of school budgets • Joint approach with school improvement, finance and place planning colleagues to help schools and advise on the possible solutions. • On going support is given through the help of various tools, such as income modelling tools, budget templates that have in built benchmarking. The recovery templates link in with the Integrated curriculum and financial planning (ICFP) as well as workforce planning and other tools to help schools manage the budget. • Training courses on budgets are provided to school business managers, head teachers and governors. 	
<p>Cyber Security, IT, Data and Information Management</p> <p>Total or partial loss of significant core business systems, inadequate data security and the system becoming unfit to meet business needs results in impaired service delivery and performance and impacts on resident satisfaction impacting on the reputation of the council and staff productivity and morale.</p>	<ul style="list-style-type: none"> • Regular oversight by 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 in place through 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 	

	<p>services arrangements with Brent and Lewisham</p> <ul style="list-style-type: none"> • 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 • Training and awareness of staff both ongoing and through induction • Development of full insurance cover led by shared service as main provider of infrastructure security 	
<p>Capital Programme and Major Projects</p> <p>Unforeseen events and/or changes in the macroeconomic outlook results in cost changes to the council's capital programmes which will risk failure of (or the serious delay to) key capital projects including building new homes causing damage to the council's ability to meet the borough's long term priorities and resulting in short term financing or funding implications for the council.</p>	<ul style="list-style-type: none"> • Re-costing and prioritisation of the council's capital programme, reviewed by council members and reported to cabinet in October 2023 • Ongoing quality assurance of processes to mitigate scope for challenge • Close inter-departmental working with colleagues to develop overall planning strategies • Work with press office and key partners to manage communication • Key contracts and frameworks being put in place by the council • Adherence to the prudential code that regulates and contains council borrowing • Appropriate financial provision (MRP) to secure borrowing risk provided for within the HRA and General Fund accounting framework 	
<p>Legal and Regulatory – Government policy</p> <p>Legislative and / or financial changes, including current and future loss of funding or international factors stemming from changes in government policy, seriously impact on the delivery of balanced budgets for council services</p>	<ul style="list-style-type: none"> • Seek to influence policy through professional networks • Contributions to local, regional and professional responses to Government consultations and mandates • Departments to keep up to date with changes affecting their services • Collaborative working with other local authorities and London boroughs to fully understand any changes • Seek expert external legal and professional advice as appropriate 	

<p>and the council's ability to meet either the pressures created by changes in demand for services or the opportunities due to lack of capacity.</p>		
<p>Unforeseen Major Event</p> <p>An unforeseen major event occurs which affects critical services and the council's ability to deliver business as usual resulting in financial strain and impacts on the resilience and wellbeing of staff.</p>	<ul style="list-style-type: none"> • Maintain and update disaster recovery and business continuity plans • Undertake practice scenarios to check robustness of business continuity plans • Engagement with contractors and partners to check preparedness • Flexible, trained staff in place to respond to changes in demand 	
<p>Asset Management and Building Safety</p> <p>Failure to invest appropriately in the maintenance or management of the council's assets, to have clear sight of responsibility for assets plus failing to implement the requirements of the Building Safety Bill, or a sudden and unforeseen event which may give rise to unacceptable future liabilities and additional budget pressures, reputational damage and potential legislative consequences</p>	<ul style="list-style-type: none"> • Housing asset management requirement reset including initial estimates of additional fire and building safety works • Programmes of planned and preventative maintenance (PPM) in place • Capital investment strategy and targeted investment in assets in place • Annual asset condition verification and effective monitoring of assets • Insurance programme in place to respond to sudden and unforeseen events • Different workstreams created and being monitored and regularly reported on to manage the implementation – workstreams include finance, data and systems, recruitment, training and skills and homeownership • Planning in place to create staff structures that will support new regulations 	
<p>Failure of Key Provider</p>		

<p>The unexpected failure or non-contractual compliance of a key existing or future provider / partner / contractor resulting in serious disruption to a critical service and potential increased expenditure and need for resources to provide an alternative solution with resulting potential reputational damage.</p>	<ul style="list-style-type: none"> • Robust procurement and contracting processes in place safeguarding against foreseen failure • Evaluation of third sector grant programmes • Contingency and business continuity plans to be maintained • Backup contractors in place where appropriate • CSO's and procurement guidance being updated in 2023 	
<p>Climate Emergency</p> <p>Impact of the climate change strategy creates capacity, financial or practical operational challenges and pressures with the potential for reputational damage for any failure in delivery.</p>	<ul style="list-style-type: none"> • Specific capital investment to tackle climate risks and opportunities • Climate Emergency team established under Director of Climate • Cross departmental collaboration to develop the council's strategy • Engagement with stakeholders and partners • Development of council governance structures, policies and procedures to incorporate a commitment to the strategy • Development of clear and funded plan of activity to meet objectives of the council • Clear communication plan with all stakeholders • Continually review costs and affordability of programme and deliverability against 2030 target 	
<p>Fraud</p> <p>Process, control, or management failure particularly during periods of significant change, economic and social hardship and ongoing funding reductions leads to an increase in fraudulent activity resulting in financial and legislative consequences for the council and the</p>	<ul style="list-style-type: none"> • Fraud awareness training of key risk areas as identified through the risk register • Internal audit plan aligned to key fraud risks • Proactive work undertaken by internal anti-fraud team • Corporate governance guidance followed • Active contract management by contract managers • Regular reviews of authorisation limits of staff through council's 	

<p>potential for reputational damage.</p>	<p>schemes of management and delegation</p> <ul style="list-style-type: none"> • Crime insurance in place to minimise any financial loss 	
<p>Health & Safety</p> <p>Failure to provide adequate provision of protection of staff, elected members, residents and all relevant stakeholders leading to their safety and / or mental health and wellbeing being compromised.</p>	<ul style="list-style-type: none"> • Health and safety staffing arrangements and corporate and departmental systems regularly reviewed • Staff wellbeing programme in place and promoted • Cautionary contact warning system to be further developed • Individual risk assessments for post covid period to remain for most vulnerable employees 	
<p>Health and Social Care Act</p> <p>Failure to ensure opportunities for further integration of health and social care system are maximised as result of Health and Care Act 2022 while protecting existing revenue sources.</p>	<ul style="list-style-type: none"> • Sharing knowledge and resources with health partners to deliver transformation • Ensuring local government representation and active involvement on ICB, ICS and Partnership Southwark meetings both officer and member level • Updating the council's governance framework to reflect changes as result of the Act • Creation of joint role for Place based director • Joint decision making and further aligning of strategic direction 	
<p>Recruitment, retention, resources and capacity</p> <p>A shortage of appropriately skilled and experienced staff compromises the ability of the council to deliver services</p>	<ul style="list-style-type: none"> • Provision of training and development of existing staff for upskilling and promotion • Recruitment campaigns with specialist and targeted support • Development and delivery of workforce wellbeing strategy 	

<p>and key priorities creating increased pressure on existing staff which may result in low morale, increased stress and sickness levels and an impact in performance across all departments</p>	<ul style="list-style-type: none"> • Ensure that capacity needs are fully defined and resourced, especially for new and ongoing major projects and council delivery programme priorities • Review of recruitment function underway to improve processes and systems • Proactive strategic workforce planning including succession planning • Promotion of Southwark as an employer via employee value proposition 	
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Item No. 10.	Classification: Open	Date: 5 February 2024	Decision Taker: Audit, Governance and Standards Committee
Report title:		Southwark Construction - Retrospective contract variations	
Ward(s) or groups affected:		Camberwell Green, Peckham Rye, East Walworth Ward, Old Kent Road, North Bermondsey, Rotherhithe, Newington.	
From:		Managing Director, Southwark Construction	

RECOMMENDATIONS

1. That the Audit, Governance and Standards Committee note that the current governance process that is in place is not wholly aligned to the construction routes being undertaken nor are they aligned to the current construction contracts which are the overriding legal context to which the council (the employer) needs to adhere to with the Contractor. Thus the Audit, Governance and Standards Committee note that Southwark Construction has sought to exercise contract standing orders clause 6.7 to confirm additional costs, following their initial approvals as per the relevant JCT building contract, so as not to unduly delay the works on site and risk incurring additional costs as a result.
2. That the Audit, Governance and Standards Committee note the actions taken by the Southwark Construction as set out in paragraphs 20-22 to review and enhance the operational and governance arrangements for new build projects to mitigate against the risk of incurring additional unforeseen costs within their building programme in the future.
3. That the Audit, Governance and Standards Committee note that Southwark Construction will move to a centrally managed contingency fund that covers all programme schemes, or sectional part thereof, such that localised spend is prevented and, instead, a more stringent route to managing contingency spend is established. This is likely to incorporate higher levels of control whereby the Managing Director of Southwark Construction will need to satisfy themselves that any additional call for expenditure has been thoroughly checked and tested with a view to cost prevention and only when that has been exhausted that a recommendation for use of the global contingency may be passed to the Strategic Director for final approvals. An expenditure monitoring tool will be established accordingly.

BACKGROUND INFORMATION

4. As part of the Council's strategy to deliver 11,000 new homes by 2043, Southwark entered into JCT Design and Build Contracts to deliver on the Corporate Delivery Plan target to achieve 2,500 new homes on site by May 2022, one of the most ambitious programmes of any local authority.
5. Since August 2018 this has meant there have been between 30-50 live schemes on site at any given time and a total investment programme of £1,792m over 15 years to seek to meet local housing need. To date the programme has delivered 1,516 homes, which includes 1,401 social rent homes and 115 intermediate rent, benefited from £254.8m grant funding as well significant investment in wider community benefits.
6. The procurement of contractors to deliver new homes adheres to the council governance procedures through gateways and approvals in line with the Housing Scheme of Management. In addition, the programme has a range of monitoring and programme governance to ensure effective management. This report is required to comply with CSO 6.7.1 in relation to retrospective approvals whereby an approval to a contract variation was not sought at the time and has an estimated value of more than £100,000.
7. This report sets out the circumstances and manner in which the decision was taken and sets out a number of considerations for the purpose of obtaining guidance to inform future decision making. In summary, the reasons for contract variations sought retrospectively are;
 - a. Within JCT contracts once it has been determined that a variation is not the contractor's liability i.e. a 'relevant matter', the contractor will be entitled to make a loss and expense claim under the JCT contract for any delays and costs incurred, which is in addition to the cost of the change. Any loss and expense claim will include preliminary costs, including overheads and inflation which are charged on a weekly basis.
 - b. Prior approval of a variation would necessitate stopping works on the live sites, pending approval. This would have incurred further delays, costs and potential compensation claims from the contractor (a worked example is noted in paragraph 13).
8. The majority of schemes within the programme started on site within a 2-3 year period, thus a number of contract variations have occurred within a similar timeframe as schemes experience some similar issues during broadly the same period which is the reason for a cluster of 13 Gateway 3 reports documented in Table 1, either approved or pending approval. In each instance the following has

been undertaken prior to taking forward a Gateway 3;

- a. Check and challenge between council and professional services; all variation requests received from the contractor are thoroughly reviewed by the quantity surveyor/employers agent and a further review is then carried out by the project delivery team. Once the Strategic Lead is satisfied that the cost is a legitimate variation, a change management form is completed by the project manager for approval by the Strategic Lead or the Managing Director of Southwark Construction in accordance with the Scheme of Management.
- b. There have been a number of instances across schemes in the programme where variations have been reviewed, reduced and/or refused. Table 1 highlights schemes within the report where variations have been reviewed, reduced and/or refused.

Variation Description	Initial variation from contractor	Proposed amount varied following the review	Reduction
Loss and expense as a result of delays and variations	£3,057,843	£2,243,589	£814,254
Ground contamination	£1,500,000	£1,309,596	£190,404
Additional design and construction	£2,300,000	£1,519,908	£780,092
Loss and expense as a result of delays and variations	£796,878	£166,211	£630,667
Loss and expense as a result of delays and variations	£360,000	160,000	£200,000
Total	£8,014,721	£5,399,304	£2,615,417

- c. Where a GW3 report is required, (for sums over the allocated contingency allowance) supplementary advice is obtained from finance, procurement and legal. Where necessary, cabinet approval has been sought for budget variations in advance of Gateway 3 reports, to ensure projects remain in budget.

9. The schemes in Table 2, are GW3 reports that are approved or pending retrospective approval via the GW3 governance requirements. Those schemes noted as 'pending' are currently in draft and in the GW3 process. The schemes are collated within this report for ease of reference.

Table 2 – Approved and pending retrospective approval reports via the GW3 governance requirements.				
Date Approved OR Forward Plan date	Scheme	Reason for variation	Estimated value of GW3 retrospective contract variation	Summary of variation
Dec 2023 <i>Approved</i>	Rye Hill Estate	Site remediation	£661,790	Utility cable discovered on site. Ground investigations and routine topographical surveys had been carried out prior to planning and tendering. There was no wayleave agreement which covered the impacted area. This resulted in a loss and expense claim of £2.2m due to diversion requirements. This variation is executed via a deed of variation.
Nov 2023 <i>Approved</i>	Lomond Grove	Site remediation	£956,116	Site investigations identified chrysotile asbestos material on site. Remediation action was required which resulted in a £1.3m uplift in the contract. An industry standard pre-works survey did not identify the material or estimate volumes of the asbestos material later discovered.
Jan 2024 <i>Pending</i>	Goschen Estate	Site remediation	£1,089,651	Includes extensive remediation works required to dispose of below-ground asbestos discovered outside of those identified in the phase once surveyed at a cost of £940,333. Other scheme variations totaling £1m
Jan 2024 <i>Pending</i>	Albion & Renforth Street	Building Safety requirements	£2,887,002	Specification upgrades to accommodate the council's latest standards including electrical works and evacuation lifts. A large proportion of the variation is due to electrical works with a variation of £2.3m.
Feb 2024 <i>Pending</i>	Ledbury Estate (Development RIBA 3+/4A Architect Appointment)	Building Safety requirements	£1,396,893	In October 2022 cabinet approved a revised total budget of £212m for the Ledbury Estate redevelopment. Whilst the proposals for the Ledbury Estate achieved planning approval prior to 23 December 2022 it was considered, in consultation with the (formerly titled) Cabinet Member for Council Homes and Homelessness, that there was still an opportunity to ensure the tower on

Table 2 – Approved and pending retrospective approval reports via the GW3 governance requirements.				
Date Approved OR Forward Plan date	Scheme	Reason for variation	Estimated value of GW3 retrospective contract variation	Summary of variation
				the Phase 1 site, in excess of 30m m (block A2), complies with the new two stair core requirement. This formed part of the increase in cost alongside an increase in the main works contract due to inflation. This required a variation of £1.3m for the architect appointment.
Feb 2024 <i>Pending</i>	Flaxyard	Site remediation Building safety requirements	£2,827,254	Service diversions and specification uplifts for supplies, Highways works under s38/s278 and Party Wall works. Variation of contract sum £2,827,254.
Feb 2024 <i>Pending</i>	Manor Place and Braganza	Building safety requirements	£160,169	Variations are due to the delayed period between the previous Gateway 3 report and the start on site. This led to the council requiring security and re-design costs including uplift in windows and sprinkler systems £160,169.
Feb 2024 <i>Pending</i>	Rutley Close	Building safety requirements	£498,251	Additional scheme costs due to uplifts to meet updated fire safety requirements. Loss and expense related to building control delays. Variation of £498,251
Feb 2024 <i>Pending</i>	Haddonfied	Site remediation Building safety requirements	£1,044,996	A series of variations requires including repositioning of the building from the gas main, additional lift maintenance rooms on the roof as per our updated employer's requirement, soil remediation works and additional surface and foul water drainage resulting in a variation sum of £1,044,996.
March 2024 <i>Pending</i>	Meeting House Lane	Site remediation	£809,103	District heating additional pipework from new valve location. Redesign to the combined heat and power. Delays to the UKPN lease agreement retrospective approval of £809,103
March 2024 <i>Pending</i>	Comber House Drying Rooms	Building safety requirements	£1,178,852	A number of items were required to ensure Building Control compliance such as additional installation of Automatic Opening Vents, fire compartmentation walls, sterile ceiling installation and sprinklers.

Table 2 – Approved and pending retrospective approval reports via the GW3 governance requirements.				
Date Approved OR Forward Plan date	Scheme	Reason for variation	Estimated value of GW3 retrospective contract variation	Summary of variation
March 2024 <i>Pending</i>	Henslowe Bessano and Underhill	Party wall requirements	£462,813	Variations related to receipt of necessary permissions and approvals beyond the contractors control, delays in the implementation and agreement of party wall awards and delays linked to boundary wall requirements
March 2024 <i>Pending</i>	Hidden Homes (Bew Court, Grosvenor and Whaddon)	Site remediation Building safety requirements	£262,458	Hidden homes variations as a result of asbestos contamination remediation, insulation and ventilation required and enhanced building safety requirements.

KEY ISSUES FOR CONSIDERATION

10. To meet the council's Corporate Delivery Plan objectives of 2500 new homes the implementation of the council's programme at significant scale and pace is a significant achievement. However, as with all programmes there are lessons learnt, some of which are relevant to this report as it has led to Southwark Construction needing to utilize the retrospective approval route to ensure contractual obligations are met, delivery programmes and associated targets remain deliverable and additional costs to the council are mitigated. The demanding pace at which projects were required to get projects up and running has been a contributing factor.
11. Changes and variations are extremely common in construction projects. As noted in Table 2 a number of schemes in the programme have required variations due to modification of design, quality or quantity or remediation works. For clarity, local variations and adjustments would routinely be funded by way of the scheme contingency fund whereas additional works would be funded by way of additional funding secured via a GW3 submission. The GW3s also include loss and expense claims which are a direct result of the required variations, which all contribute to an increase in the total contract variation sum. Alongside this the typical contingency provision for schemes is around 5%, this is relatively low for construction projects and when faced with unforeseen site specific issues as well as legislative changes and wider economic challenges in the market the level of contingency has been insufficient to be able to manage the changes within the original budget envelope.
12. The time required to undertake the governance process is a key factor in the need to utilise the retrospective approval route, to avoid even further costs accumulating. The current governance approval process requires around 10 weeks from identifying the anticipated variation to obtaining approval for the variation.
13. This is illustrated in Table 3 below which shows the minimum lead in time for governance milestones to be met, for variations over £100,000. It is worth noting that this timeframe does not reflect the time needed for clarifications required through usual check and challenge (both internally and with contractors and professional services) and assumes availability and capacity of all key commentators and decisions makers, including timings of relevant Boards are in perfect alignment.

Table 3: Governance process end to end (best case scenario)	
Milestone	Minimum number of weeks
Confirmation of required variation and drafting of GW3 report	1
Review from Senior Project Manager/Strategic Lead	1

Review from Southwark Construction Programme Office and Managing Director	1
Circulation for comments from finance, legal and procurement	1
Reporting to DCRB	1
Reporting to CCRB	1
Amendments following CCRB	1
Lead Member Briefing	1
Concurrent from finance, legal and procurement	1
Notice of publication and approval	1
Total	10 weeks

14. A worked example of the financial implications is as follows, based on a contract value of £6m. The weekly contractor prelims with overheads and cost around £12,000 per week. A 10-week delay of a decision over £100k could result in the additional cost of £120,000 per variation (if this variation is on a critical path on the programme). As noted, a GW3 approval of a variation to the contract (CSO 6.6) is required for all variations with an estimated contract value over £100,000.
15. The majority of the schemes in the programme achieved planning approval a number of years ago and since then, there have been a series of changes in building regulations and fire safety guidance. This has resulted in the council being required to amend specifications and designs to meet the new or enhanced requirements.
16. Southwark Construction takes all necessary steps to ensure due diligence and best practice. In the two most recent audits in relation to the new build programme monitoring and cost controls conducted by the council's external and internal auditors, Grant Thornton and BDO respectively, both audits concluded that there were no material recommendations for improvements.
17. Further to all the considerations already outlined, schemes within the programme have started on site during a period of high inflation, increased construction costs, material and labour shortages and other factors compounded by the Covid-19 pandemic. The impact of COVID-19 was that schemes were limited in labour on site and as a result all programmes were extended in time. This meant additional costs by way of overheads and preliminaries (equipment, labour, and materials).

KEY ACTIONS

18. The GW3 approvals noted in this report are a result of a number of internal and external factors that have been outlined and the rationale for the retrospective mechanism illustrated. The overall value of variations is significant, however should be considered in the context of the overall level of investment and the relatively short timeframe in which the council has successfully initiated and implemented its direct delivery function.

19. Southwark Construction has taken, or is in the process of taking, the following key actions;
20. Review of contingency provisions and associated governance process
- a. It is recognised that the governance process is established to work across the council, however the process that is in place is not wholly aligned to the construction routes being undertaken nor are they aligned to the current construction contracts which are the overriding legal context to which the council (the employer) needs to adhere to with the contractor. This, on occasion, may become more complex as the council is reliant upon independently appointed representatives (Employers Agents) whom will seek to interrogate applications for payment and duly certificate those agreed payments at which point the payment becomes due.
 - b. With the increase in build costs, inflation, enhanced building regulations and building safety requirements it has been identified that the contingency provision provided to manage the contracts within this report requires further review. It is proposed that Southwark Construction will move to a centrally managed contingency fund that covers all programme schemes, or sectional part thereof, such that localised spend is prevented and, instead, a more stringent route to managing contingency spend is established. This is likely to incorporate higher levels of control whereby the Managing Director of Southwark Construction will need to satisfy themselves that any additional call for expenditure has been thoroughly checked and tested with a view to cost prevention and only when that has been exhausted that a recommendation for use of the global contingency may be passed to the Strategic Director for final approvals. An expenditure monitoring tool will be established accordingly.
 - c. For future schemes, contingency of between 12% - 15% of the contract sum will be considered on a scheme-by-scheme basis to provide a more realistic cover for unforeseen events, thus reducing the need for a contract variation approval. This will also help to mitigate the risk of the council over committing resources and borrowing capacity to the programme.
 - d. Whilst the current £100k threshold for the procurement and governance process is understandably a sizeable value, in the context of capital schemes this could be reviewed alongside alternative assurance measures that could enable a more streamlined approval route which seeks to avoid the need for retrospective approvals being required to such a degree.
 - e. There are schemes in programme (mostly on site and nearing completion) which are not covered in this report but may also be at risk of cost increases for

the same sort of issues and reasons mentioned in this report. As such the timescales involved in adhering to due process may present additional costs pressures to scheme and in which case the retrospective approach mechanism may be utilised.

21. Applying lessons learnt

- a. Increased pre-tender site investigations: It has been identified that a large a large proportion of the additional costs for contamination etc. has been a result of the industry standard site investigations. The new programme accounts for an enhanced approach to intrusive surveys that are being carried out to identify and mitigate site risk. This includes the instruction of phase two intrusive surveys.
- b. Increased use of two-stage tenders. Two-stage tenders which include a pre-construction services agreement (PSCA). Enables Southwark and contractors to limit any site and design risk before entering into the main contract. This was utilized on Bells and Lindley and Sceaux Gardens which were recently paused due to budget pressures, the two-stage tender approach enabled the council to withdraw from progressing to main works.

22. Contract management

- a. Southwark Construction will continue to robustly monitor budget management and cash flow and project and programme level. Southwark Construction uses PAMWIN, an industry standard financial monitor software as a tool to oversee project performance. Should it be identified that a large proportion of the contingency is required to be drawn, this will be flagged as part of the risk monitoring in the monthly project reviews.
- b. To support this an enhanced training programme is being developed for all staff of Southwark Construction on effective contract management and working with employers agents. This includes contract dispute resolution.
- c. Robust and clear guidance on governance procedures were also developed last year by the Southwark Construction Programme Management Office, with clear guidelines of when decisions are required, forward planning and key decision dates, all which aims to support wider improved governance reporting.

Summary

23. Officers within Southwark Construction have discussed and agreed on the actions and conclusions, as set out above.

Policy framework implications

24. There are no policy implications arising from this report

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

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

Climate change implications

26. There are no climate change implications arising from this report

Resource implications

27. There are no resource implications arising from this report

Legal implications

28. There are no legal implication arising from this report

Financial implications

29. As noted in paragraph 8 of this report

Consultation

30. There has been no consultation on this report

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**Assistant Chief Executive (Governance and Assurance)**

31. Contract Standing Order (CSO) 6.7 requires that in the event of an activity being commenced other than in compliance with CSOs, it may be necessary to seek approvals retrospectively, and in such case the procedures in relation to the gateway report (in this case – the gateway 3 variations reports) should be followed as soon as possible. In addition, where the decision relates to a variation/s with an estimated value of over £100,000 a report should be presented to CCRB and to the audit, governance and standards committee, setting out the circumstances and manner in which those decisions were taken, for the purposes of obtaining guidance to inform future decision making.

32. Paragraph 9 set out those retrospective decisions made/to be made in relation to a number of the New Homes projects, and the key actions (set out in paragraphs 20-22) which Southwark Construction have taken or is in the process of implementing to avoid future retrospective approvals.

Head of Procurement

33. The report has been reviewed and commented on by the Procurement Advice Team.

34. Contract Standing Orders set out the actions that are required that in the event of an activity being commenced other than in compliance with CSOs but it may be necessary to seek approvals retrospectively, and in such case the procedures in relation to the gateway reports (gateway 3 variations reports in this case) should be followed as soon as possible, together with reporting to boards such as CCRB.

35. Processes and arrangements for managing construction spend and processes, whilst adhering to the council's governance requirements are possible with some process accommodations that support timescale and planning, in addition to regular and timely engagement, as is noted in paragraphs 18-22 of the report on the actions being taken or planned as part of this planning to avoid the need and any future retrospective approvals.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix 1	GW3 Contract Variation Rye Hill Estate
Appendix 2	GW3 Contract Variation Lomond Grove

AUDIT TRAIL

Lead Officer	Stuart Davis	
Report Author	Nannette Sakyi	
Version	Final	
Dated	18 December 2023	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant Chief Executive, Governance and Assurance	Yes	Yes
Strategic Director of Finance	Yes	No
Procurement Advice Team	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		24 January 2024

Item No. 11.	Classification: Open	Date: 5. February 2024	Meeting Name: Audit, governance and standards committee
Report title:		Cyber Security Update	
Ward(s) or groups affected:		All	
From:		Dionne Lowndes, Chief Digital and Technology Officer Fabio Negro, Managing Director, Shared Technology Service	

RECOMMENDATIONS

1. The Audit Governance and Standards Committee is asked to:

Note the actions being taken in this report;

BACKGROUND INFORMATION

2. This report provides an update on the Cyber Security status, threats, and mitigations in Southwark Council.

Policy implications

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

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.

Resource implications

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

Consultation

6. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

7. None required.

BACKGROUND DOCUMENTS


Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix 1	Cyber Security Update

AUDIT TRAIL

Lead Officer	Dionne Lowndes, Chief Digital and Technology Officer	
Report Author	Dionne Lowndes, Chief Digital and Technology Officer Fabio Negro, Managing Director, Shared Technology Service	
Version	Final	
Dated	5 February 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Assistant Chief Executive Governance & Assurance	No	N/A
Strategic Director of Finance	No	N/A
Cabinet Member	No	No
Date final report sent to Constitutional Team		25 January 2024

	Audit, Governance and Standards Committee of Southwark council
	5 February 2023 Report of Chief Digital and Technology Officer
Cyber Security Update	
Wards Affected:	N/A
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	N/A
No. of Appendices:	
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Dionne Lowndes Chief Digital and Technology Officer Dionne.Lowndes@southwark.gov.uk Fabio Negro Managing Director Shared Technology Services Fabio.Negro@SharedTechnology.Services

1 Purpose of the Report

1.1 This report provides an update on the Cyber Security status, threats, and mitigations in Southwark Council.

2 Recommendation(s)

2.1 The Audit Governance and Standards Committee is asked to:

1. Note the actions being taken in this report;

3 Cyber Security Strategy

Introduction

We are committed to ensure we that our systems and data are secure, and that we maintain strong relationships with partners to achieve this.

Cyber Security forms a key aspect within the Technology and Digital Strategy. The Cyber Security strategy outlines the focus we shall be adopting for our councils and customers. It is imperative that we put the right controls in place to protect and react to cyber threats going forward. We have a strong relationship with National Cyber Security Centre and other private cyber agencies which we will harness to help us to protect the data of our citizens and our customers.

Cyber incidents are on the rise, especially within public sector. We know that the ramifications are serious and widespread, from personal to economic. Protection and remediation are service disrupting and of significant financial expense. The impact on people affected by their stolen information can be life altering in some cases.

It is critical for us to put in controls around how we use, store and process our data and for us to follow the guidance from experts to ensure that our systems are appropriately secure to keep potential attackers out of our systems.

We want to continue to use the benefits of technology to improve the lives of local people. This strategy will safeguard us all. It will build confidence in the way we operate and deliver our services and keep us at the forefront of the digital revolution.

3.1 The Shared Technology Service (STS) Cyber Security Strategy (2021-2024), detailed our approach to Cyber Security, which Southwark council adopted in 2021, a refreshed version has been drafted and is with members of the shared service Joint Management Board, the strategy outlines our plans to further develop our capabilities under the following key heading from the National Cyber Security Centre (NCSC):

- **DEFEND** – To have the means to defend against evolving cyber threats, respond effectively to incidents, and ensure networks, data and systems are protected and resilient. It includes helping our residents, businesses, and partners in gaining the knowledge and ability to defend themselves.
- **DETER** - Our council will be a desirable target for all forms of aggression in cyberspace. This will involve detecting, understanding, investigating, and disrupting hostile action against us.
- **DEVELOP** – Including developing a coordinated and tailored approach to risks and threats that we may encounter and mitigating potential vulnerabilities.
- **REACT** - Ensure that we have sufficient controls in place to respond to an attack and furthermore have the organisational channels and processes to make efficient decisions further protecting our data and limiting any scope of an attacker.

3.2 This report highlights, under each of these headings, the pertinent activities and events that appraise the Audit, Governance and Standards Committee of the current threats and our mitigating actions.

4 Defend

4.1 We have had the approval to implement a Vulnerability Management Team, initially financed to the end of the financial year but with a view to making this team permanent in 2024/2025.

4.2 This team was fully recruited in October 2023 and is responsible for ensuring our entire estate is as secure as possible by implementing the hundreds, sometimes thousands of patches we receive from vendors monthly.

4.3 These patches range from the relatively low-risk minor patches to small applications, up to 'Zero Day' threats which are new, known and already exploited serious vulnerabilities.

4.4 Following the successful three-month pilot in 2023, Southwark are engaging with Jumpsec through the London Office of Technology and Innovation (LOTI) to carry out a yearlong engagement for their Continuous Attack Surface Mapping/Management. This engagement will employ adversarial tactics to carry out activities to discover, identify threats and carry out regular threat hunting.

Continuous Attack Surface Mapping or Management (CASM) is a cybersecurity approach focused on dynamically and continuously identifying, monitoring, and managing an organisation's digital attack surface. The attack surface refers to all the points where an unauthorised user or malicious actor could potentially exploit vulnerabilities to compromise the security of Southwark's systems.

4.5 Southwark gained Public Services Network certification for the first time on 3 October 2024 and will continue to go through the Cyber assessment on an annual basis going forward. The Public Services Network (PSN) certification ensures that government organisations in the UK adhere to a set of security standards, enabling them to securely share information and access shared services over a standardised network.

4.6 Security Awareness Training Programme: Further development of a cybersecurity training programme is to be rolled out for Southwark staff in 2024 to educate them on best practices, recognising phishing attempts and understanding their role in maintaining a secure digital environment.

4.7 Network Upgrades: Rolling programme to upgrade and fortify the council's network infrastructure with robust firewalls, intrusion prevention systems, and networking technology with regular security audits to identify and address vulnerabilities in the network architecture. Tooley Street has been completed, with other sites to be completed in 2024 including Queens Road.

4.8 Cybersecurity Awareness Campaigns: Technology and Digital Services will be conducting ongoing awareness campaigns throughout 2024 to keep staff informed about the latest cybersecurity threats, promoting a culture of vigilance, and encouraging reporting of any suspicious activities.

5 Deter

5.1 To protect and deter attacks against public facing websites, we have deployed several services to protect these instances, such as cloud Web Access Firewalls (WAF's). These are a central defence against the numerous attacks we have been

subjected to. These measures have also been adopted with services published from the STS infrastructure, by leveraging the WAF capabilities in the recently procured F5 load balancers. Southwark have migrated a significant amount of services to the Azure cloud which has security components designed to protect web applications from various cyber threats and attacks.

5.2 To protect user identity we have deployed Multi-Factor Authorisation for all privileged accounts, using services either external or on the internal network.

Whether you're accessing services outside of Southwark (external) or systems within the network (internal), Multi-Factor Authentication ensures that even if someone somehow learns your password, they still need that second piece of information to gain access such as a code sent to your phone.

5.3 To protect against escalation of privilege in our environment, we have trailed a proof of value in the Microsoft tool, Entra permissions manager. This cloud service, monitors and reports permissions assigned in a cloud environment, advising of the best practice to ensure the least privilege and lower the attack surface of breached accounts or identities.

5.4 Following guidance from Gartner we have engaged a supplier to explore an Extended Detection and Response service for the server estate which is due to be deployed by the end of February 2024. The Extended Detection and Response (XDR) service involves deploying a solution to detect, investigate, and respond to potential security threats across the servers within the IT infrastructure. This service enhances the ability to identify and address cyber threats targeting server systems, providing a more integrated and effective approach to safeguarding digital assets and sensitive data.

5.5 We are engaging with numerous security providers to explore a managed Security Operation Centre to augment the security team, to monitor and detect security events. The business case will be available to all three councils of the shared service in February 2024.

6 Develop

6.1 The development of the Cyber Security controls is currently being progressed in to two workstreams. The first is to issue formal Security policies that following the best practice published by the National Institute of Standards and Technology (NIST) Cyber Security Framework, and the National Cyber Security Centre (NCSC). This safeguards that the policies meet the requirements set out by central government and following industry best practices. The second workstream is the onboarding and development of the Vulnerability team. The team will seek to address of legacy vulnerabilities on the estate, and ensure the estate is line with standards such as Centre for Internet Security (CIS) and Microsoft.

Attack Surface Area	Previous RAG	Current RAG	Target RAG	Actions	Target date	LBS	STS
Network	G	G	G	Network Security Policy	Complete		
Infrastructure	A	A	G	Windows Server 2012 Replacement	Nov-24		
Endpoints	A	A	G	Removable Media Policy	Complete		
				Remote Access Policy	TBC		
				Future Laptop Design	Apr-24		
Applications				-			
Information Policies	A	A	G	Cyber Security Policy	TBC		
				Data Management Policy	TBC		
Email Hygiene	G	G	G	Add Phishing reporting to LBL and LBS	Mar-24		
Mobile devices	A	A	G	Monitor mobile replacement project	TBC		
Cloud Management	A	A	G	Azure Secure Score Action Plan	TBC		
User management	A	A	G	Password Management Policy	TBC		
				Access Control Policy	Complete		
Compliance	A	A	G	Cyber Insurance	Jan-24		
				Completion of PSN Actions	Complete		
				Schedule PCI Scan for LBS	TBC		
Incident Management	G	G	G	Incident Response Policy	Complete		
				Playbook exercise Emergency Team	LBL done		
Cyber Security Team	G	G	G	Server Security Application policy	Complete		
Organisational education	A	A	G	Policy around lost or stolen equipment	TBC		
				Acceptable Use Policy	TBC		
				Security Awareness & Training Policy	TBC		
Cyber Incident recovery	G	G	G	DR Test	TBC		
National Cyber Security Centre Status	A	A	A	-	-		
3 rd Party Supply Chain	R	R	A	Jumpsec reporting and remediation	Complete		
				LBB Audit completion	In progress		

6.2 There is no known overarching measure for all areas of Cyber, therefore the RAG Status is the Shared Technology Service's assessment based on feedback from several external sources such as the Public Sector Network (PSN), National Cyber Security Centre (NCSC), and Common Assessment Framework (CAF), which is a set of guidelines and principles used for assessing and managing cybersecurity risks alongside previous and current audit exercises.

6.3 Third Party Supply Chain is flagged as Red due to a lack of controls which is currently under review, LBB the London Borough of Brent's Internal Audit team have commissioned PWC to conduct an audit review shared service 3rd party review.

Third-party suppliers pose a cyber risk to Southwark Council (or any organisation) for several reasons:

Data Access and Handling: Third-party suppliers often have access to the organisation's systems and data. If these suppliers do not have robust cybersecurity measures in place, they may become targets for cyberattacks, and any vulnerabilities in their systems could be exploited to gain unauthorised access to sensitive information.

Lack of Security Standards: Third-party suppliers may not adhere to the same cybersecurity standards and practices as the organisation they are serving. Insufficient security measures on their part could lead to vulnerabilities that cybercriminals may exploit.

Insufficient Security Audits: Organisations may not conduct thorough security audits of their third-party suppliers, or these suppliers may not have adequate cybersecurity controls in place. This lack of oversight increases the risk of security incidents.

Data Sharing and Transmission: If third-party suppliers handle or transmit sensitive data on behalf of the council, there's a risk that this data could be intercepted or

compromised during these processes if proper encryption and security measures are not in place.

Human Factor: The human factor is often a significant cybersecurity risk. If employees of third-party suppliers are not adequately trained on cybersecurity best practices, they may inadvertently contribute to security incidents, such as falling victim to phishing attacks.

Regulatory Compliance: If third-party suppliers fail to comply with relevant data protection and privacy regulations, the council could face legal and regulatory consequences for any data breaches or mishandling of sensitive information.

To mitigate these risks, the Shared Technology Service and Southwark Council, need to implement thorough vendor risk management practices, conduct regular security assessments of third-party suppliers, and establish clear cybersecurity requirements in their contracts with suppliers. Regular communication and collaboration on cybersecurity best practices can help create a more secure overall environment. This is being picked up as part of the audit.

7 React

7.1 During this last period we have not experienced any serious cyber security incidents. We are improving our defences daily and we have reduced the number of vulnerabilities across the infrastructure and will continue to do so daily.

There is a commitment to continue to develop and refine the incident response plan to effectively and promptly address any cybersecurity incidents, including a designated response team, communication protocols, and continuous improvement based on lessons learned.

In December 2023 a Cyber Security recovery exercise was conducted with Children's and Adults services to ensure the service understood their role in the event of a cyber-attack. The outcomes were valuable lessons learnt and we will be conducting other exercises in 2024.

8 Future Plans

8.1 Since the last Audit, Governance and Standards Committee, we have initiated a project to design our Future Laptop design. This project will implement a modern management platform for our PC and Laptop estate, as well as update the PCs and laptops to Windows 11 the enhanced security that Microsoft's latest Operating System offers.

8.2 We will improve user experience and at the same time enhance security by implementing "Windows Hello", which is Microsoft's biometric authentication method for logging into devices, negating the reliance on keying in passwords.

8.3 A new standard of user authentication will be implemented with advice from partners such as Microsoft, Apple, and Google that removes the need for passwords entirely. This standard is called "Passkeys" and utilises Windows Hello for logging into web applications, websites etc.

8.4 The newly established Vulnerability Management Team are actively working on protecting the council against known vulnerabilities and progress of this will be reported to the Audit, Governance and Standards Committee.

8.5 We are engaging with third parties to onboard a Security Operations Centre, to leverage the security investment the partners made in their Microsoft Licensing. This is a dedicated facility that monitors, detects, responds to, and mitigates potential cybersecurity threats and incidents in real time.

8.6 We are currently reviewing the number of administration and user accounts we have in the infrastructure and putting controls in place to automate removal where possible.

REPORT ENDS

Item No. 12.	Classification: Open	Date: 5 February 2024	Meeting Name: Audit, Governance and Standards Committee
Report title:		2021-22 Audit Findings Reports For London Borough of Southwark and Pension Fund	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance	

RECOMMENDATIONS

1. That the Audit, Governance and Standards Committee :
 - a) consider the matters raised in Grant Thornton’s updated audit findings report for 2021-22 (appendix A) before approval of the council’s main accounts
 - b) note the adjustments to the main accounts as set out in pages 27-30 of the updated audit findings report (appendix A)
 - c) consider the matters raised in the Pension Fund updated audit findings report 2021-22 (appendix B) prior to approval of the Pension Fund accounts
 - d) note the adjustments to the Pension Fund accounts as set out in page 14-15 of the audit findings report
 - e) approve the letters of representation for the council and pension fund as required by Grant Thornton In order to conclude the audit of 2021-22 statement of accounts

BACKGROUND INFORMATION

2. As the council’s appointed external auditor, Grant Thornton is required under the statutory Code of Audit Practice for Local Government Bodies to issue reports to those charged with governance summarising the conclusions of the audit work. The audit, governance and standards committee is the council’s constitutional body for receiving these reports and needs to consider the auditor’s reports before approving the accounts.
3. There are separate audit findings reports from the auditor for the main accounts and the Pension Fund accounts due to the separate audits for both areas.

4. The auditor is required by professional auditing standards to report to the committee certain matters before giving their opinion on the financial statements.
5. In addition to reporting on the financial statements, the auditor reports on any circumstances where they suspect or detect fraud and on whether, in their view, the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
6. The principal purposes of the reports are to:
 - reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the audit, governance and standards committee;
 - share information to assist both the auditor and the committee to fulfil their respective responsibilities;
 - provide the committee with recommendations for improvement arising from the audit process.
7. Interim audit findings reports for the council's main accounts and pension fund accounts were presented to audit, governance and standards committee on 15th November 2023 along with an updated statement of accounts.
8. Before the auditor issues their formal opinion, they will require letters of representations to be provided by the council.

KEY ISSUES FOR CONSIDERATION

Audit Opinion

9. The auditor is nearing the completion of the audit of the financial statements and, subject to a few outstanding queries being resolved, anticipates issuing unqualified opinions on both the main accounts and the Pension Fund..
10. Due to national backlog of local authority audits the Department for Levelling Up, Housing and Communities (DLUHC) are consulting on the introduction of legislation to implement a statutory deadlines of 30 September 2024 for completion of audits up to and including 2022-23 accounts. if it is not achieved auditors may need to issue qualified opinions and disclaimers of opinion (ie no audit opinion is given). Therefore there is an urgency to complete the outstanding audits of 2021-22 and 2022-23 accounts and it is intended to do so by 31 March 2024.
11. At its meeting on 15th November the audit, standards and governance audit delegated authority to the strategic director of finance and the chair of the audit, governance and standards committee to approve any further potential changes to statement of accounts resulting from the audit, and also to approve letters of representation (which will be standard representations similar to previous years) as required by Grant Thornton before an audit opinion can be issued.

12. The purpose of Grant Thornton's Audit Findings Reports (AFR) is to detail their findings and matters arising during the course of auditing the financial statements. A number of adjustments have come to light during the period since the last meeting which are highlighted in the updated AFR and the auditors will provide details on these items and an update on any outstanding audit items during the presentation of their findings to this committee

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

Community impact statement

13. 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

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Consultation

18. Consultation on the draft statement of accounts is carried out through formal public inspection. The accounts were open for public inspection from 3 July 2023 until 11 August 2023.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

19. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Department of Finance files	Finance Department, Second Floor, Tooley Street	Amarjit Uppal 0207 525 4578

APPENDICES

No.	Title
Appendix A	Audit Findings Report for Southwark Council 2021-22
Appendix B	Audit Findings Report for Southwark Council Pension Fund 2021-22

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Amarjit Uppal, Chief Accountant	
Version	Final	
Dated	23 January 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Assistant Chief Executive Governance & Assurance	N/A	N/A
Strategic Director of Finance	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team	25 January 2024	

Audit Findings for Southwark Council

Financial Year ended 31 March 2022

Southwark Council
January 2024



Contents



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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and Audit, Governance and Standards Committee.

This is an update to the Interim report previously presented to the Audit, Governance and Standards Committee in November. Updates to the Interim report have been made in red text, our work is now near completion subject to the matters noted on page 3.

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

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Southwark Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was scheduled to be completed from October 2022 to January 2023. Due to the following factors the work was not completed in this timeframe:

- At the time there had been considerable level of staff turnover within the Council since the previous audit. This also meant that finance staff in post had less involvement in the preparation of the 2021-22 financial statements.
- The timing in which queries were responded to with a number being received after the end of the audit booking to our sample/audit queries.
- Challenges in receiving timely and detailed responses from the property valuation team.
- We faced some challenges in accessing data via the remote desktop access that we were required to use.
- National challenges around the audit backlog and accounting issues such as infrastructure assets. These are noted in more detail in our Progress report/Sector Update.

This resulted in us extending the teams booking were possible into February and March before we turned our attention to our health audit portfolio. We have since recommenced the audit from mid-October 2023. Due to the passage of time, there have been internal changes to the staff meaning the Key Audit Partner and Senior Manager have changed. Where possible though we have ensured continuity in other parts of the audit team.

The change in team has meant additional levels of review were required and there was aspects of our property valuation queries, the Collection fund work and other sample areas that required completing. This resulted in the team working through these queries in November and December whilst also working on the 2022-23 financial statements audit. Our work is now nearing completion, with the following work left noted below:

- Responses to follow up queries on Investment Properties and Surplus Assets.
- Receipt of evidence regarding Change of Circumstances relating to our work on employee costs.
- Follow up queries on the HRA statement.
- Completion of final file reviews.
- Checks and receipt of the final version of the accounts.
- Receipt of management representation letter.
- Finalisation of Pension Fund audit.

Based on our work to date our anticipated audit opinion is unmodified in relation to the financial statements, subject to the items listed above being concluded. We also to date have not identified any issues with the other information to be published with the financial statements.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of the delivery of the planned financial performance in 2021-22, along with the future plans of the Authority in 2022-23 and beyond, in particular in relation to the Housing Revenue Account.

Our Value for Money work and findings can be found in our Annual Auditors Report. We have identified one significant weakness in relation to the Council's arrangements in relation to financial sustainability of the Housing Revenue Account. Details of these findings can be found in the Annual Auditors report.

Our work on the Value for Money arrangements cannot be finalised until we finish our work on an objection to the accounts. Once we have done so we will consider if the finalisation of this work identifies any further matters in our Value for Money conclusion.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We are reviewing an objection received regarding the councils Housing Revenue Account.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements and the completion of our review of this objection. The objection itself relates to a matter subject to an Internal audit review, we have seen a draft version of this report and have some follow up queries with management and Internal audit. We require responses to this and the finalisation of the report before we are able to complete our work on this objection.

Significant Matters

We identified the following significant matters during our audit:

- Challenges in obtaining timely responses from the Council's property valuers.
- Delays in responsiveness to Audit sample queries along with changes to key finance officers, resulting in the finance team having in some instances to facilitate the audit of a financial statements that pre-dated them joining the Council. We appreciate this is also challenging for the finance team and thank them for their support during the audit.
- Additional work required in relation to an objection received from an elector.
- Reviewing the Canada Water Development treatment in the 2021-22 financial statements.
- Additional work coming out of the triennial pension valuation which resulted in a material positive adjustment to the Council's Pension liability of £36.5m

These matters have all lead to extended time and cost on the audit that were outside the scope of work set out in our Audit plan. This has led to the fee variation proposed in Appendix D of this report.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit, Governance and Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.
- The Materiality set for the audit is £17.9m, Performance materiality at £11.6m, this remains unchanged from the levels communicated in our Audit Plan in July 2022. This was based on 1.4% of your gross expenditure for the year. We report to the Audit, Governance and Standards Committee any misstatements or matters identified above triviality which has been set at £900k.

There have been a number of national issues that came to light during the audit period, including:

- The need to consider the impact of RAAC on asset valuations held at Public sector bodies.
- Issues around Infrastructure assets that lead to a temporary adjustment to the CIPFA Code as set out in CIPFA Bulletin 12- Accounting for Infrastructure Assets.
- As well as the need to consider updated triennial Pension Valuations which is as a result of the triennial information being available before the 2021-22 financial statements were complete. This has led to a £36.5m positive adjustment to the Council's Pension liability at the year end.

Conclusion

We are working towards the completion of your financial statements audit providing the points set out on page 3 of this pack are satisfactorily resolved we will then anticipate we will issue an unmodified audit opinion.

Acknowledgements

As noted there have been specific challenges on this audit including some issues around the way the audit progressed. We do note some of this was outside of the finance teams' control, resulting from inevitable staff turnover, with this issue being exacerbated by the overall Audit backlogs, meaning new officers were having to facilitate the audit of a historical financial statements. We also appreciate that our own turnover of staff has impacted the timeframe it will take to complete the audit and thank the finance team for their patience as we work through this process.

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff and for their patience as we have worked through these issues.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Council, which was one of the most significant assessed risks of material misstatement.

We undertook the following procedures:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- identified and tested journals we considered to have the greatest risk of material misstatement or from our data analytics Journals that were identified to be unusual. We then tested these Journals for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness

Our testing on Journals has taken significantly longer than we would expect which is in part as a result of staff turnover. Consequently, there were a number of Journals relating to the 2021-22 financial statements that officers struggled to provide explanations regarding.

Our work is now complete, and no issues were identified in relation to Management override of Controls. However, we have reported two matters in our Action plan regarding the maintenance of appropriate backup to support historic Journals and a control deficiency in relation to Journal super user access.



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Improper revenue recognition

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

In the Audit Plan, we reported that having considered the risk factors set out in ISA240 and the nature of the Authority, we had determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- There is little incentive to manipulate revenue recognition.
- Opportunities to manipulate revenue recognition are very limited.
- The culture and ethical frameworks of local Authority's, mean that all forms of fraud are seen as unacceptable.

There have been no changes to our assessment as reported in the Audit Plan and our work on this area is complete.

Improper Expenditure recognition

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period.

Based on our risk assessment we do not consider there to be a significant risk of fraud or management manipulation of such balances. We did identify the completeness of other expenditure as an Other risk but given its value and the nature of the stream we did not determine this to be a significant risk in our audit strategy.

There have been no changes to our assessment as reported in the Audit Plan and our work on this area is complete.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings and Council Dwellings

The Council revalue its land and buildings on a rolling five-yearly basis. Council Dwellings are valued on a Beacon basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£4.494 billion) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used

We therefore identified valuation of land and buildings and Council Dwellings particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

During the audit, we have undertaken the following work:

- Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work.
- Evaluate the competence, capabilities and objectivity of the valuation expert.
- Discussed with and wrote to the relevant valuer to confirm the basis on which the valuation was carried out.
- Engaged our own valuer expert to provide commentary on: the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and the guidance regarding the valuation of council dwellings and social housing.
- Reviewed and tested a number of assets back to market data for properties in that area.
- Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding.
- Recalculated the valuations, testing key inputs including BCIS rates, floor areas, obsolescence rates and other key assumptions used in both DRC and EUV valuations. We also considered the appropriateness of the basis of each method for determining the assets valuation.
- Reviewed a sample of assets to test the appropriateness of the Beacon applied as well as undertaking existence testing of a sample of assets.
- Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding.
- Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

From our work the following matters were noted. The valuation for Council houses and Other Land and Buildings is performed with a valuation date of the 31st December, 3 months prior to the year end. This creates a high risk that market fluctuations will result in adjustments to the Year-end value. Given the size of the Council's Property Plant and equipment we consider this method to create a risk of material misstatement and have raised this in our Action plan.

We also identified that the approach taken in DRC valuations around the BCIS data was not consistent, with BCIS data used at dates that were not always the date of the valuation.

Following our review, the following variances/uncertainties were noted in the below asset classes:

- A potential understatement of Other Land and Buildings of £10.65m due to differences in market data at the 31st March to the 31st December.
- A potential Understatement of Other Land and buildings of £1.6m in relation to assets that were not revalued in this financial year.
- A potential understatement of Other Land and Buildings in relation to BCIS data of £1.26m
- An overstatement of Council dwellings of £8.46m due to downward market movements from December 31st to March 31st.

Due to these misstatements netting of the cumulative uncertainty is £5.05m. As this is below our materiality thresholds, we are satisfied with this not being adjusted for. However, we note if there were more significant market fluctuations in the final quarter of the year there would be a risk with the current arrangements of material changes in the valuation.

Our work is substantially complete, with the final quality checks being undertaken.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of Investment Properties

The Council revalues its Investment Properties on an annual basis to ensure that these assets are held at Fair Value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£338 million) and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of a valuer to estimate the current value as at 31 March 2022.

We therefore identified valuation of Investment Properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement

During the audit, we have undertaken the following work:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuations were carried out
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register
- Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding.
- Recalculated the valuations, testing key inputs including yields applied, rental information used, and all other key assumptions applied in the valuers' calculations behind the asset's valuation.
- Assess the value of a sample of assets in relation to market rates for comparable properties.

We had some issues in relation to our work on Investment Properties in receiving complete responses from the Council's Internal valuation team during our first audit visit. This was made more challenging following the officer who performed the year end valuation having then retired. This meant other valuation officers had to help support valuations they had not performed. From this process we identified at times the valuations performed did not always set out clearly in the way they were calculated or maintained in a way that allowed someone else to quickly reperform the work. In addition, backup to support key assumptions such as market data around rental/sale prices were not clearly saved or referenced to in the calculations. This has elongated the process of completing the work on these valuations on both sides and we do appreciate the support the valuation team who have picked up the work have provided to help resolve our audit queries in what have been challenging circumstances. Our work on this area is now near completion, however, there are further follow up queries we are awaiting final responses on to enable us to finalise our work on this area. We also are in discussion with management around whether some surplus assets should be classified as Investment properties.

Due to the above-mentioned issues, we have raised some findings in our Action plan in relation to the record keeping and supporting records held for the valuations performed.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity to change due to changes in market conditions (£371.3 million in the Council's balance sheet PY 687.6m).

The Council has two material pension schemes the London Pension Fund Authority and the London Borough of Southwark Pension Fund, with both requiring review.

We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

- Gained an understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls.
- Evaluated the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work.
- Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation and the actuary who undertook the valuation of the unfunded Police Pension Liability.
- Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability.
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.
- Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

The Council is part of the London Borough of Southwark Pension Fund. The latest triennial valuation for the London Borough of Southwark Pension Fund has recently been published. This valuation, which is at 31 March 2022, provides updated information for the net pension liability on the Council's balance sheet, particularly in respect of membership data and demographic assumptions.

As a result, we requested that management obtain a revised report from their actuary, detailing what impact this updated information had on its net pension liability disclosures at 31 March 2022. This revised report showed that the impact was material and so management have adjusted the financial statements accordingly. As a result, the Council's net Pension liability has favourably moved by £36.5m therefore reducing the liability from £407.8m to £371.3m in the updated financial statements. Material changes were also identified to the corresponding Pension disclosure notes.

Additional audit work was required in respect of this issue, resulting in an increase to the audit fee (see Appendix D). This included obtaining assurance in respect of updated membership data, considering the reasonableness of revised assumptions and estimates and checking the accuracy of management's adjustments to the Financial statements. From our work on the Pension Liability, we identified the following in relation to the restated position:

- From our testing of the Pension Fund accounts an understatement of the Gross assets of £18.4m was identified. This was due to more up to date Investment data becoming available after the valuation date. The Council's share of the Gross assets is 96% which would indicate the gross assets are understated by £17.66m. We have agreed with management that this will require adjusting due to the amount being so near our materiality threshold, this provides the Council a £17.66m benefit to the overall Pension Liability.
- In our review of the key assumptions used by management we noted that the mortality figures used were lower than our expected range, obtained from our actuaries' expert. The potential impact of this creates an uncertainty that the overall liability may be understated. Despite this we are satisfied that this uncertainty would not be material and our calculations note that if the mortality figures used were within our expected range a potential understatement of £8.24m would arise.

We deem the change in asset value to be a factual misstatement, when considering IAS 10, which we have agreed with management will be amended. Whereas the difference in the mortality figures we deem to be an uncertainty and have therefore not reported this in our misstatement log in Appendix C.

2. Financial Statements Other Risk Areas

Issue

Valuation of Infrastructure Assets and the presentation of the gross cost and accumulated depreciation in the PPE note

Infrastructure assets includes roads, highways, streetlighting and coastal assets. Each year the Council spends circa £25 million on Infrastructure capital additions. As at 31 March 2021, the net book value of infrastructure assets was £329 million which is over 17 times materiality.

In accordance with the LG Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address

The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets.

The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced.

This was therefore highlighted as an Other Risk area in our audit plan.

Commentary

We undertook the following work on this area:

- Reconciled the Fixed Asset Register to the Financial statements
- Using our own point estimate, consider the reasonableness of depreciation charge to Infrastructure assets
- Obtain assurance that the UEL applied to Infrastructure assets is reasonable
- Document our understanding of management's process for derecognising Infrastructure assets on replacement and obtain assurances that the disclosure in the PPE note is not materially misstated
- Considered the latest CIPFA guidance on the matter.

Following CIPFA's consultation on the matter they released the CIPFA Bulletin 12, which enables authorities from the 1st April 2021 to the 31st March 2025 a temporary relief not to report on gross cost and accumulated depreciation for infrastructure assets. Following discussion with management they determined to take advantage of this simplified reporting in the updated financial statements. In our view the update to the CODE and this revised reporting does mitigate the risk identified in our audit plan.

However, as part of our work we did still undertake work to gain assurance around the Net Book Value of the assets. From this the key aspect is the Useful Economic Life of the assets. Our review overall found the lives used to be reasonable.

We note due to the 2020-21 audit being open this bulletin was applied in the 2020-21 financial statements and the updates noted above have been consistently applied in both years accounts.

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit, Governance and Standards Committee. . We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	<p>A letter of representation will be requested from the Council. We will make specific representations on the following matters:</p> <ul style="list-style-type: none"> • That all post balance sheet events have been made aware to us as part of our audit procedures. • There are no known RAAC issues which would impact the valuations of property assets. • The Council has no liabilities in relation to equal pay liabilities.

2. Financial Statements - other communication requirements



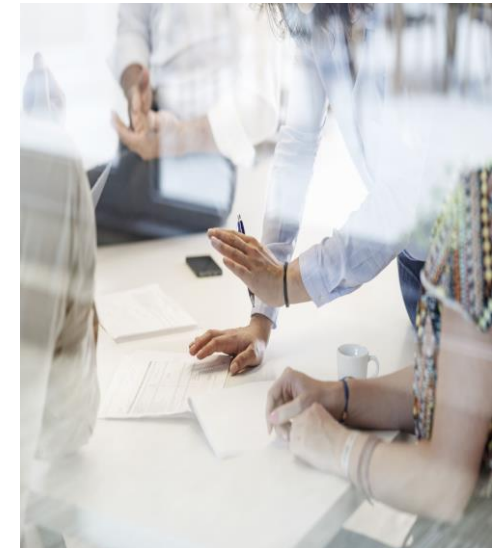
Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified from our work performed.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. <p>We have nothing to date to report on these matters.</p>



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold of £2 billion, we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <p>We will complete this work following the completion of our financial statements work.</p>
Certification of the closure of the audit	<p>To certify the audit, we are required to ensure the following work is complete:</p> <ul style="list-style-type: none"> • WGA Audit procedures- as noted above there remains procedures to be completed. • Review of objections work- this is complete, and we have issued our Statement of Reasons on this matter. <p>In the final version of this report on the closure of our financial statements opinion we will note if we have been able to complete the above steps and are able to certify the audit.</p>

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

Our value for Money work can be found in the Annual Auditors Report.

In this work we have identified one area of significant weakness in relation to the Financial sustainability of the Housing Revenue Account. Please refer to our Annual Auditors report for full details of our Value for Money work and the associated recommendations we have made following the work performed.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Appendices

A. Action plan – Audit of Financial Statements

We set out here our recommendations for the Council which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p style="text-align: center;">●</p> <p style="text-align: center;">High</p>	<p>Valuation of Property Plant and Equipment including Other Land and Buildings and Council dwellings</p> <p>In our work in reviewing the asset valuations the following issues were noted:</p> <ul style="list-style-type: none"> • BCIS data was used at various dates for different assets leading to changes in the valuation vs if the correct BCIS data was used. • The Council values most of the assets as at the 31st December given the overall portfolio size this creates a possibility of material changes in the asset values in the following 3 months. <p>We consider the Council not revaluing assets at the YE date but at December 31st as posing a significant risk of creating material misstatements in the financial statements. Our work this year has identified in relation to this point a £10.65m understatement in Other Land and buildings and a £8.46m overstatement in Council houses. In addition, the BCIS data being used indicates a £1.26m variance than if the figures at the appropriate valuation date were used.</p> <p>Although these along with other variances in our valuation work net of to 5.2m in this financial year if there are more significant changes in the data then it is likely to be material given the size of the Councils asset base.</p> <p>Therefore, the current arrangements we consider to create a high risk of material misstatement.</p>	<p>We recommend the Council uses the year end date as the valuation date in all valuations and ensures the appropriate BCIS figures are used in the Year end valuations.</p> <p>Management response</p> <p>We are in the process of determining our responses to Grant Thornton’s recommendations, we will provide a verbal update of these actions to the Audit and Risk Standards Committee.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements

We set out here our recommendations for the Council which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p style="text-align: center;">● Medium</p>	<p>Maintenance of Records to support Journals posted</p> <p>Due to a number of changes in the finance team in the time between the preparation of the financial statements and the completion of the audit there were challenges obtaining backing for 6 Journals posted. For these 6 Journals although there was no evidence of management override of Controls, we noted that management had failed to maintain appropriate support for these postings.</p> <p>This creates challenges when staff leave and in general the pace, we are able to then complete our audit procedures. It also creates a risk when staff leave or have unforeseen periods of absence.</p>	<p>We recommend the Council reviews its processes and instructions for officers to ensure sufficient records are maintained to support Journals posted.</p> <p>Management response</p> <p>We are in the process of determining our responses to Grant Thornton’s recommendations, we will provide a verbal update of these actions to the Audit and Risk Standards Committee.</p>
<p style="text-align: center;">● Medium</p>	<p>Records to support Investment property valuations</p> <p>In our review of Investment properties and in some instances other property valuations we found the following issues:</p> <ul style="list-style-type: none"> • Calculation sheets did not always have clear formulas to support them. • It was not always clear what supporting evidence or comparable data was used to produce the year end valuation for assets. • The record keeping of evidence used to support the valuations was not well maintained following a key staff member leaving the Council. <p>This created a number of challenges to the audit team and the internal valuation team who had to do a significant amount of work to reperform and identify appropriate evidence to support the year end valuations.</p>	<p>We recommend the Council reviews its working paper requirements used to support the year end property valuations. Including having shared folders for key evidence used for each asset type as the valuation is performed.</p> <p>Management response</p> <p>We are in the process of determining our responses to Grant Thornton’s recommendations, we will provide a verbal update of these actions to the Audit and Risk Standards Committee.</p>

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements



We set out here our recommendations for the Council which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>Canada Water</p> <p>As has been highlighted in the 2020-21 Audit Findings report the Canada Water site has a number of complexities to consider. Although we are satisfied the accounting judgements made in the previous year are appropriate there are a number of future events that could result in changes to the current treatment:</p> <ul style="list-style-type: none"> • The accounting for the Leisure Centre the Council is having built as part of the arrangement. • Future lease receivables and contractual payments the Council may be due depending on options exercised within the agreement. • Any future changes in the arrangements that may require a reassessment of the Councils accounting for the matter. In addition to this the impact on future capital commitments. <p>The Council currently at the year-end does not prepare a detailed paper reviewing and assessing its accounting treatment of the matter. Given the complexity of the matter we deem it to create a risk that the preparation of this key paper is not part of the Council's year end closedown procedures.</p>	<p>We recommend the Council performs a detailed annual review of this matter and clearly documents this in a paper each year.</p> <p>Management response</p> <p>We are in the process of determining our responses to Grant Thornton's recommendations, we will provide a verbal update of these actions to the Audit and Risk Standards Committee.</p>
<p>● Medium</p>	<p>Review of Contingent Assets and Disposals</p> <p>In our testing of PPE disposals we identified a number of the gains on disposal related to complex arrangements where the Council had previously sold assets in which there were future conditions that could result in further payments being made, although these were contingent on specific future events taking place. In our view these gains reflect largely Contingent Assets. We note this has not been previously disclosed in the Council's accounts.</p> <p>We recommend the Council undertake a detailed review to ensure Contingent assets are disclosed in the accounts as is required by the CIPFA Code. We also note that having this in the financial statements reviewed on an annual basis will help ensure these arrangements are appropriately reviewed on an annual basis.</p>	<p>We recommend management review Contingent assets and ensure they are appropriately captured in the financial statements.</p> <p>Management response</p> <p>We are in the process of determining our responses to Grant Thornton's recommendations, we will provide a verbal update of these actions to the Audit and Risk Standards Committee.</p>




- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements

We set out here our recommendations for the Council which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p style="text-align: center;"> Medium</p>	<p>Related Parties</p> <p>As part of our audit procedures, we undertake checks to Companies Houses for interests declared by members. As part of these checks, we identified 3 members had undeclared interests based on the Companies House records. Although none of these 3 bodies had transactions in the year with the Council they were based in the local area.</p> <p>This creates the risk that related parties are not appropriately identified and disclosed as required by IAS 24.</p>	<p>We recommend the Council remind Members of their responsibilities to fully disclose their interests in the relevant declarations. In addition the Council should consider periodic checks on the declarations made.</p> <p>Management response</p> <p>We are in the process of determining our responses to Grant Thornton’s recommendations, we will provide a verbal update of these actions to the Audit and Risk Standards Committee.</p>
<p style="text-align: center;"> Medium</p>	<p>Review of Capital Records</p> <p>During our audit procedures relating to the Capital areas, we identified the following issues:</p> <ul style="list-style-type: none"> • £2.3m of impairments that had been misclassified as a loss on disposal. • The Council had incorrectly capitalised £58k of demolition and spoil costs and £12k of costs relating to security Guards. Although the extrapolated misstatement was £860k below our reporting limit we note both items clearly do not meet the IAS 16 definitions of being capital spend. • We identified that a number of assets sitting in Surplus assets either met the definition of Assets Under construction or Investment properties upon further review. Although it was noted at the time it was appropriate to move these assets to these headings, we noted there had not been sufficient review over this judgement as part of the year end closedown procedures. <p>In our view the above matters represent deficiencies in the year end capital closedown process that increase the risk of misstatement in the financial statements.</p>	<p>We recommend the Council reviews the year end capital procedures to ensure sufficient review of capital spend, disposals and the classification of assets takes place.</p> <p>Management response</p> <p>We are in the process of determining our responses to Grant Thornton’s recommendations, we will provide a verbal update of these actions to the Audit and Risk Standards Committee.</p>

Controls

-  High – Significant effect on financial statements
-  Medium – Limited Effect on financial statements
-  Low – Best practice

A. Action plan – Audit of Financial Statements

We set out here our recommendations for the Council which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>● Low</p>	<p>Internal Audit review of Home Care overpayments</p> <p>We note per Internal audit reviews it has been that for BUPA there had been duplicate overpayments made of the MOSAIC system in the 2021-22 FY.</p> <p>This resulted in a cumulative overpayment to BUPA of £453k of which £345k has been clawed back. The Internal Audit report identified control weaknesses that lead to these overpayments. We have therefore raised this as a deficiency in the year end controls. Due to the value of the issue, we have raised this as a low risk rating due to this having a low likelihood in resulting in a material misstatement to the Financial statements and to reflect this has previously been reported to members.</p>	<p>The Council should implement the key findings made in the Internal audit review. This includes providing a training module to staff regarding this area of work, ensuring the finance service division monitors the financial information within Mosaic at the appropriate level of detail and that the recommendations around Purchase orders are implemented.</p> <p>Management response</p> <p>We are in the process of determining our responses to Grant Thornton’s recommendations, we will provide a verbal update of these actions to the Audit and Risk Standards Committee.</p>
<p>● Low</p>	<p>Pooled budgets</p> <p>The Council’s Pooled Budget arrangement was signed on the 17th May 2022, meaning the agreement for 2021-22 was not signed until after the year end. This creates a risk that if there are disputes around the agreement there is no signed contract by both parties.</p>	<p>We recommend the Council ensure all key contracts/agreements are signed in an appropriate time period.</p> <p>Management response</p> <p>We are in the process of determining our responses to Grant Thornton’s recommendations, we will provide a verbal update of these actions to the Audit and Risk Standards Committee.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

The Final Audit findings report was presented to management for 2020-21 in April 2023.

We note there are 3 recommendations that were reported in our 2020/21 Audit Findings report, one of which will be reviewed in our Annual Auditors report as it relates to a Value for Money finding. The other 2 are noted below and we note one finding remains and the other we are still completing our work on.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Self-Authorisation of Journals</p> <p>During our detailed journals testing in 2019/20, we identified two users who had posted and authorised their own journals. We subsequently undertook further testing on the journals posted by these two users, which identified further self-authorised journals by one of the users. This finding was also identified in the 2020-21 financial statements audit.</p> <p>Whilst we were content with the sufficiency and appropriateness of the journals selected, this gap in the control environment does increase the potential for inappropriate journals to be posted without this being picked up. We understand the potential challenges over the practicality of implementing a control in this area, but the Council needs to weigh up the risks of what could occur without a control of this type.</p> <p>We recommend that there are appropriate controls in place to prevent the self-authorisation of journals to reduce the risk of inappropriate journals being posted. If journal specific controls cannot be introduced, higher level controls should be considered to provide some assurance in this area.</p>	<p>Management have introduced manual authorisation in year with Journals being sent to an officer via the “approval hierarchy” and then officers maintaining backups of approvals for Journal postings. Although we note this has improved the process overall for a Council of your size, we would expect there to be an automated Journal authorisation system to be in place. This is because manual processes such as this are reliant on staff following the process rather than being enforced.</p> <p>We note all journal authorisations were provided in year and therefore this issue did not occur in the 2021-22 financial statements audit. But we do still consider there to be a risk that this could occur in future years.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Incomplete Income and Expenditure Balances at year end</p> <p>As mentioned in the 2020-21 Audit Findings Report, our cut-off testing on both income and expenditure identified a number of issues which resulted in a considerable level of additional testing to determine the full impact of the errors identified. Whilst we recognise the speed at which the Accounts were produced for audit, the Council need to strike a balance between this speed and ensuring that the Accounts are materially complete and include all relevant transactions relating to the financial year.</p> <p><i>Recommendations</i></p> <p>Management should revisit the closedown timetable to ensure sufficient time is allowed to ensure that all relevant income and expenditure items are included in the Accounts where applicable.</p>	<p>No such issues were identified in year therefore this is considered as having been addressed.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. Audit Adjustments – Main Statements

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net Assets £m
<p>Triennial Pension Valuation</p> <p>The Council is part of the London Borough of Southwark Pension Fund. The latest triennial valuation for the London Borough of Southwark Pension Fund has recently been published. This valuation, which is at 31 March 2022, provides updated information for the net pension liability on the Council's balance sheet, particularly in respect of membership data and demographic assumptions.</p> <p>This resulted in a 36.5m upward movement to the liability. Note this change has no impact on the Council's General Fund balance and is treated through Unusable Reserves.</p>	Remeasurement of the net defined benefit liability CR £36.5m	DR – £36.5m Net Pension Liability	£36.5m
<p>Pension Liability Variances</p> <p>From our testing of the Pension Fund accounts an understatement of the Gross assets of £18.4m was identified. This was due to more up to date Investment data becoming available after the valuation date. The Councils share of the Gross assets is 96% which would indicate the gross assets are understated by £17.66m.</p>	Remeasurement of Net Defined Liability 17.66m	DR Pension Liability 17.66m	17.66m
<p>Surplus Assets Classification</p> <p>From our audit work to date we have identified that that on further review the Council failed to reclassify Surplus assets. From this review these assets should have been reclassified to either Assets Under Construction or Investment Properties.</p> <p>We are still in discussion with management on the impact to the Financial statements, but it is expected the most significant change will be between Property, Plant and Equipment and Investment properties.</p>	TBC	TBC	TBC
Overall impact	CR £55.16m	DR 54.16m	£54.16m- Unusable reserves

C. Audit Adjustments – Main Statements

Impact of unadjusted misstatements

All unadjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net Assets £m	Reason for not adjusting
<p>Property Plant and equipment Indices variances plus variances for BCIS data used</p> <p>The Council performs a periodic review of assets revalued and for those not revalued we identified a variance of £1.75m understatement in OLB assets following our indices review.</p> <p>We also identified for OLB assets that the assets were understated by £1.26m relating to BCIS data used that was different to the valuation date.</p> <p>In addition, the Council values Property Plant and equipment at the 31st December which when we applied indices to identified that Council houses were overstated by £8.46m and Other Land and Buildings were understated by £8.46m.</p> <p>The total variance indicates and understatement of PPE by £5.2m.</p>	<p>Revaluation Reserve</p> <p>CR 5.2m</p>	<p>Property Plant and Equipment</p> <p>DR - 15.2m</p>	£5.2m	Not a factual misstatement and impact of not fully revaluing all assets held.
<p>Provisions</p> <p>The Council did not update the provisions balance for the Insurance provision. This meant it remained unchanged at £9.03m at the 31st March 2021 and the 31st March 2022. The Council insurance report states the balance should be £7.38m at the 31st March 2022 meaning the provision balance has a potential overstatement of £1.65m.</p>	<p>Expenditure</p> <p>CR 1.65m</p>	<p>Provisions</p> <p>DR 1.65m</p>	1.65m	Council deem this to be an estimate and given the relatively small change feel it prudent to keep the prior year figure.
Overall impact	CR £6.85m	DR 6.85m	£6.85m	

C. Audit Adjustments - Misclassification and disclosure changes

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Disclosure omission (draft account numbering)	Auditor recommendations	Adjusted?
CIES	<p>From our review of the accounts, we have identified the Council have incorrectly disclosed impairments as a loss on disposal meaning it has not been charged to services as is required by the CIPFA Code. This was the case for 2 sample items of £2.3m in value, in our loss on disposal testing we tested £13.9m of the £33.1m balance and if extrapolated the variance is below materiality. We have raised this as a control finding in our action plan as part of other Capital findings from our audit work.</p> <p>Based on management's assessment it has meant 7.9m was overcharged below the line that should have been charged to specific service lines.</p>	No- due to no bottom line impact
Collection Fund Income and Expenditure Statement	<p>It was identified in our testing of the Collection Fund Statement that the Council had incorrectly netted of successful appeals against the total Income. This resulted in the Expenditure and Income in the statement being both understated by £30.9m This error had no impact on the overall Collection Fund Deficit.</p>	Yes
Narrative Report	<p>It was identified upon our review of the Narrative report that although there was data reviewing the Councils financial performance in year there was not the level of disclosure the Code requires around how the Council has performed against its Strategic Objectives.</p>	No
Note 12 Usable Reserves	<p>It was identified that the Covid 19 reserve had put the Transfers in and the transfers out respectively in the wrong headings. This was due to human error.</p>	Yes
Infrastructure Assets Property Plant and Equipment- note 13	<p>The Council has updated the Property Plant and Equipment note to take into account the CIPFA Bulletin 12- Accounting for Infrastructure Assets. In doing so they have taken the option to report the balance on a net basis.</p>	Yes

C. Audit Adjustments - Misclassification and disclosure changes

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Disclosure omission (draft account numbering)	Auditor recommendations	Adjusted?
Note 19 Provisions	The provisions note had not disclosed the successfully utilised NNDR Appeals in year. This was to the value of £9.3m.	Yes
Note 20 Dedicated Schools Grant	Changes were made to ensure consistency in how the surplus/deficit is reported year on year and the movement in the Balance. We note the Council has a large deficit in this balance at the Year end.	Yes
Note 21- Grant Income	A number of grant headings were incorrectly misclassified including Covid-19 Funding grant, Social Care support grant and the Public Health Grant. These have been updated accordingly in the final statement of accounts.	Yes
Note 27- Audit Fees	The audit fees in the draft financial statements does not tie back to the fee in this report. Per the ICAEW requirements the final fee should tie back to the final ISA260 report. The reason for this is the final fee had not been determined or communicated on the preparation of the draft accounts.	TBC
Triennial Pension Valuation MIRS, Pension Reserve note 23 and Note 37 Defined Benefit	The pension schemes note relating to the LGPS scheme required updating due to the triennial pension review. This note was fairly stated in the draft accounts but due to more up to date information becoming available during the course of the audit management updated the figures to reflect the material changes in the net pension liability, gross liability and gross asset's valuation along with the changes to the MIRS.	Yes

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	2020-21- Agreed with management	2021-22
Fee Per Audit Plan	£257,718	£252,718
Objections Work	£25,000	£28,000
Canada Water Additional work	£30,000	TBC
Additional VFM work	£50,000	TBC
Other Additional Audit work	£20,000	£32,500
VFM Additional Risks	N/A	12,500
Total audit fees (excluding VAT)	£382,718	£325,718

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Pooling of Housing Capital Receipts	7,500	TBC
Certification of Teachers Pension Return	8,000	TBC
Certification of Housing Benefit Claim	63,000	63,000
Certification of GLA Compliance Return	5,000	TBC
Non-Audit Services		
CFO Insights subscription	10,000	10,000
Total non-audit fees (excluding VAT)	£93,500	TBC

D. Fees

The table below provides a reconciliation between the Scale Fee agreed by PSAA and the fee per the Audit plan as well as our interim fee proposal. Note the final fee for the 2020-21 audit was £382,718.

Category	Final fee (£)
Scale Fee	182,718
Additional audit procedures arising from a lower materiality	£6,575
Enhanced audit procedures for Property, Plant and Equipment – estimate of cost charged to external expert	£2,630
Additional work on Value for Money (VfM) under new NAO Code	£20,000
Increased audit requirements of revised ISAs 540, ISA 315	£11,000
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£3,000
Additional procedures to address other local risk factors	£22,500
FRC response – enhanced audit procedures	£4,295
Fee Per Audit Plan	£252,718
Other Costs arising during the Audit period	
Statutory Powers – Work on an Objection	28,000
Enhanced procedures relating to HRA/GF ring fenced Accounting	£7,500
Costs associated with staff Turnover, delayed responses from Valuer and pace/quality of responses to audit sample queries and work associated with Triennial Pension review	£22,500
Additional work required in relation to the Triennial Valuation	£2,500
VFM Additional Risks	12,500
Final Audit Fee	£325,718

Status of the audit and opinion

Appendix E - Audit opinion

Our anticipated audit report opinion will be unmodified dependent on the satisfactory resolution of the matters noted in this report and no matters coming to our attention that would materially impact the Financial Statements.



The Audit Findings for London borough of Southwark Pension Fund

Year ended 31 March 2022

Southwark Council

October 2023

Southwark Council

This is an update to the Interim report previously presented to the Audit, Governance and Standards Committee in November. Updates to the Interim report have been made in red text.

January 2024



Contents



Your key Grant Thornton team members are:

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Key Audit Partner

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1. Headlines
2. Financial statements
3. Independence and ethics

Appendices

- A. Follow up of prior year recommendations
- B. Audit adjustments
- C. Fees
- D Audit Opinion

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

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of London Borough of Southwark Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our work on the Pension Fund took place concurrently with the audit of the Council. Our work was scheduled to be completed from October 2022 to January 2023. The team continued working on the audit in February and March 2023 due to some delays on the Pension Fund and Council audit.

Our work is nearing completion, and we are working towards completing our audit work by the end of the 2023 calendar year. Due to the passage of time, there have been internal changes to the staff meaning the Key Audit Partner and Senior Manager have changed. Due to the changes in team members, there is a requirement for us to rereview work and areas requiring further work to bring them to completion. To enable us to complete the work as effectively as possible we will be sharing a log of what remains left to complete the audit.

Due to us having to work on Health audit clients and other Local authorities audits due to the overall audit backlog the team began work on the Council in mid-October. Since that point there have been changes to the audit team and we have not yet started the closure of the Pension Fund 2021-22 audit. This was to allow the Pension Fund team time to prioritise updating the financial statements in relation to adjustments identified from September valuations to the 2022-23 financial statements. We therefore need to pick up with the Pension Fund team about the status of the above queries and appreciate the above list may not be fully updated

The team have now completed their review of the remaining work. From this one significant adjustment has been agreed with management in relation to the Investments held. This was due to more up to date valuation becoming available after the accounts were prepared. This led to the accounts requiring the Investments to be increased by £18.4m. This has also resulted in a number of other related notes requiring adjustment in the financial statements. Our work is now near completion, with the following work left noted below:

- Completion of final file reviews.
- receipt of management representation letter and
- review of the final set of financial statements – we are currently performing our final quality checks on this.
- Receipt of final information required to complete Member data testing for LGPS members on school payroll systems.

Our anticipated audit report opinion will be unmodified.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit, Governance and Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

Our work is nearing completion following the conclusion of the outstanding matters noted on page 3 of this report.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. We note the overall audit backlog in the sector is frustrating for both parties and we thank the team for their patience as we have worked through the audit process.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels have been updated since the audit plan to reflect the increased net assets position at the Pension Fund. We have continued to apply 1% to the net asset base in determining the materiality levels.

Pension Fund Amount (£) Qualitative factors considered

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	21 million	This represents 1% of the Net Assets reported at 31 March 2022.
Performance materiality	14.7 million	This represents 70% of the Materiality threshold above.
Trivial matters	1.1 million	This represents 5% of the overall materiality.



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Pension Fund faces external scrutiny of its spending and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Evaluated the design effectiveness of management controls over journals. • Analysed the journals listing and determine the criteria for selecting high risk unusual journals. • Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our work is now complete, and no issues were identified in relation to Management override of Controls.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of Level 3 investments (including Private Equity, Pooled properties and Infrastructure)

You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.

By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

We therefore have identified Valuation of Level 3 Investments as a significant risk for Private Equity and Infrastructure investments.

We have:

- evaluated management's processes for valuing Level 3 investments and gain an understanding over the role of the custodian in the valuation process;
- reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met;
- independently requested year-end confirmations from investment managers and the custodian;
- for the private equity (£28.12m) and infrastructure funds (£75.98m), obtained audited financial statements for the investments as at 31 December 2021 and we have reconciled any cash movements between the intervening period to 31 March 2022.
- performed additional testing for the full pooled property investments (£92.88m) by using indices obtained externally to benchmark against those used by the Fund Manager.
- evaluated the competence, capabilities and objectivity of the valuation expert; and
- review investment manager service auditor report on design and operating effectiveness of internal controls.

Following our work performed on 3 level 3 investments held there were variances identified totalling £18.4m, which indicated the Investments at the Year-end were understated. The reason for this difference was at the date the accounts were prepared these more up to date valuations were not available. In our assessment of IAS 10 we deem this an adjusting post balance sheet event and it has been agreed with management that this will be updated in the final accounts.

Our work is substantially complete, with the final quality checks being undertaken.

The valuation of Direct Property is incorrect (Level 3)

The Fund revalues its directly held property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£230.6 million) and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of a valuer to estimate the current value as at 31 March 2022.

We therefore identified valuation of directly held property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

During the audit, we have undertaken the following work:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work
- independently request year-end confirmations from investment managers and custodian and assessed their responses as part of our work.
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuations were carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding. We have also engaged our own valuer to assess the instructions to the Fund's valuer, the Fund's valuer's report and the assumptions that underpin the valuation.
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Fund's asset register/financial records
- where available, we have reviewed investment manager service auditor report on design effectiveness of internal controls.

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit, Governance and Standards Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Pension Fund to be signed alongside the final draft of the financial statements in advance of the conclusion of the audit.

2. Financial Statements - other communication requirements



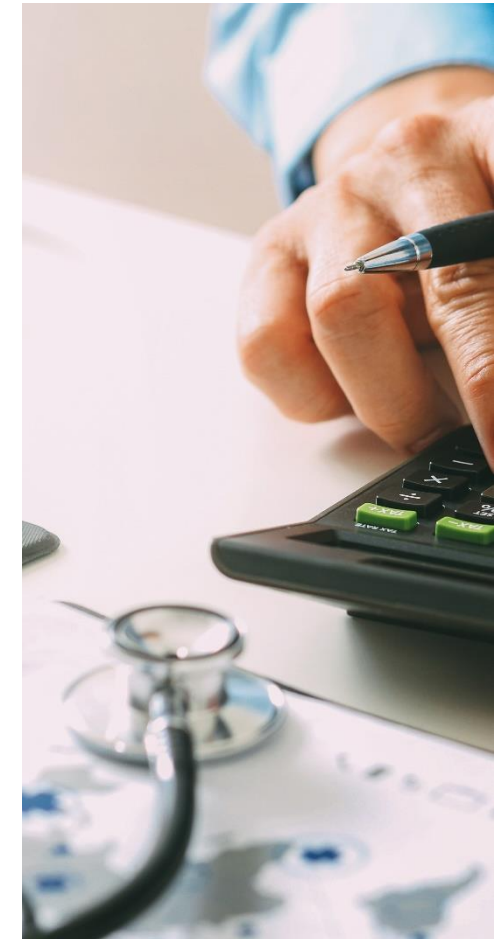
Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Pension Fund and the environment in which it operates the Pension Fund's financial reporting framework the Pension Fund's system of internal control for identifying events or conditions relevant to going concern management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	No inconsistencies have been identified have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. <i>We have completed our review of the Pension Fund Annual Report and expect to issue our Consistency statement at the same date we issue the opinion to the financial statements.</i>



3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Appendices

A. Follow up of prior year recommendations

We identified the following issues in the audit of Southwark Pension Fund's 2020/21 financial statements, which resulted in 1 recommendations being reported in our 2020/21 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	<p>Issues over Member Data</p> <p>In 2016/17 we identified errors during our testing of the client's Member Data, which thus could have a potential impact on the accuracy of the data provided to the Actuary. This could then have a potential impact on the valuation provided by the Actuary to the Fund, although the risk of this is low.</p> <p>The Council has undertaken extensive data cleansing during 2017-18 and 2018-19 as part of the production of the annual benefit statements and also through the implementation of i-Connect software in all admitted bodies, scheduled bodies and schools which has significantly improved the quality of data held. The enhanced Member Self Service portal which facilitates member updates of data is now live and members will be made aware of this through newsletters. These will include activation keys which it is hoped will encourage them to log in.</p>	<p>The Pension Fund has procured new pensions administrations software to replace its current system. This is a phased project and as part of the implementation process a full data quality check will be undertaken. The new system provides for much improved Member and Employer Self-Service Portals, allowing members to log in securely and check/update basic member data.</p> <p>Employers will be able to submit monthly returns though the secure portal and see any outstanding tasks, such as outstanding leaver forms or requests for data. Forms will be able to be completed 'online' rather than paper-based which is hoped will further improve employer compliance via increased convenience.</p> <p>The fund is aware of the increased scrutiny on LGPS data by The Pension Regulator has taken measures to ensure member data is as accurate as it can be.</p> <p>We have performed testing on Member data as part of our final Accounts audit visit. The review and conclusion of this work is yet to be completed and we will provide an update on our findings and this control point in the final Audit Findings report.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

B. Audit Adjustments – Main Statements

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Fund Account £m	Net Asset Statement £m
<p>Variances identified in level 3 Investments</p> <p>Due to the timing of when the accounts were prepared and the audit period more up to date valuation information came available for 3 Investments held. This indicated Investments were understated by £18.4m. Per our consideration of IAS 10 we deem this to be an adjusting Event after the reporting period and therefore have agreed with management this will be adjusted in the final Pension Fund accounts.</p>	<p>Profit and losses on disposal of investments and changes in market value of investments CR 18.4m</p>	<p>Investment Assets DR – 18.4m</p>
Overall impact	CR £18.4m	DR £18.4m

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of misstatements

We are still in discussion with management regarding audit queries relating to Investments balances held at the year end. To date we have not finalised our work regarding any misstatements to the Fund Account or Net Asset Statement.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Fund Account	The Prior period figures in the Fund Account were changed for Investment Income and Management expenses in the draft accounts. Following discussions with officers it was determined this was not required and the figures have changed back to the previously audited balances.	✓
Accounting policies and Other notes –minor presentational adjustments	In our work a number of minor presentational amendments were identified and agreed with management.	✓
Note 6 Contributions receivable	The AVC balance which is significantly below materiality disclosed as a narrative has not been updated in 21-22 with the prior year figure being used of £3.6m.	X
Audit fees- Note 10	Per note 10 the audit fees were stated at £21k which is £16k different to the fee communicated per the Audit plan.	TBC
Note 12 Investments	Note 12 Investments required updates to reflect the adjustments noted on the previous page. In addition a prior period adjustment that was not deemed as required had been put through on the prior year figures and this also required updating in the final version of the accounts.	✓
Note 12 Investments	Note 12 Investments discloses £73m of other Investments. Per IAS 1 requirements the category other should not be used for material classes of transactions. From our work we have established £43m of the Investments relate to money market Investments and £30m relate to natural resource funds in this category.	✓
Note 19 –Funding Arrangements	The information in this note required updating with the more up to date information resulting from the triennial Pension Valuation.	✓
Note 20 – Actuarial Present Value of Promised Retirement Benefits	As noted earlier the Pension Fund had to consider the more up to date triggered by the triennial Pension Valuation, leading to material adjustments in the note.	✓

C. Fees

We confirm below our final fees charged for the audit and.

Audit fees	2020-21 Final Fee	2021-22 Fee
Per Audit Plan	£36,770	£36,770
Additional work relating to Triennial Pension Fund valuation	Nil	£6,000
Additional work required on Investment Valuations	Nil	3,500
Total audit fees (excluding VAT)	£36,770	£46,270

We have not identified any non-audit fees for the Pension Fund.

Status of the audit and opinion

Appendix D - Audit opinion

Our anticipated audit report opinion will be unmodified dependent on the satisfactory resolution of the matters noted in this report and no matters coming to our attention that would materially impact the Financial Statements.



Item No. 12a	Classification: Open	Date: 5 February	Meeting Name: Audit, governance and standards committee
Report title:		Auditor's annual report on Southwark Council 2021-22	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

1. That the audit, governance and standards committee note the external auditor's annual report for 2021-22, as attached at Appendix A.

BACKGROUND INFORMATION

2. The purpose of this report is to provide an overview of the external auditor's opinion on Southwark Council's financial sustainability, governance, and arrangements for improving economy, efficiency and effectiveness in 2021-22.

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	Auditor's Annual Report on Southwark Council 2021-22

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Joanne Brown; Grant Thornton UK LLP	
Version	Final	
Dated	25 January 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Assistant Chief Executive Governance and Assurance	No	N/A
Strategic Director of Finance	No	N/A
Cabinet Member	No	No
Date final report sent to Constitutional Team	25 January 2024	

Auditor's Annual Report on London Borough of Southwark Council

2021/22

January 2024

Interim Report subject to
conclusion of the 21/22 Audit



Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement. Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas is set out on pages 13 to 27 Further detail on how we approached our work is included in Appendix B.



Executive Summary

Executive summary - Overview



Value for money arrangements

Introduction

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Under the Local Audit and Accountability Act 2014, in our role as appointed external auditor, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is done through our annual Value for Money (VfM) assessment, which focuses on three themes:

- Financial Sustainability
- Governance
- Economy, Efficiency and Effectiveness

We have completed our VfM assessment for 2021/22. This comprised our standard VfM work programme, covering the themes of financial sustainability, governance and the 3 E's (economy, efficiency and effectiveness). We have also audited the Council's pension arrangements for the year. Following discussions during the year with the Strategic Director of Finance and Governance we also undertook some additional work in relation to the financial resilience of the HRA. This report is presented as an interim whilst we conclude our 21-22 financial statements audit. We did receive an objection to the financial statements that we are in the process of investigating and on receipt of the final Internal Audit report and our outstanding queries we will conclude and report, in an appropriate manner to the Council in due course.



Financial sustainability (Significant Weakness)

The Council continues to operate in a financially and operationally challenging environment. Their financial planning both in the short and medium term is on a sound footing with a prudent assumptions being built into both. The signals are that the challenges will continue so the need for the structured and disciplined approach to managing finances and reserves which the Council has demonstrated will continue to be crucial. Our report in 2020-21 recommended that the Council should start to publish its financial projections over a 3-5 year period in line with other Councils and as recommended by CIPFA in their best practice guidance. We understand the challenges of doing this in the current volatile economic climate but arguably this emphasises the need for financial planning and projections rather than absolving Councils of preparing them. To that end we have repeated our recommendation of last year's report.

In addition, we have identified a significant weakness in relation to the adequacy of the Council's overall arrangements for financial resilience of the Council's large social housing portfolio. This relates to the adequacy of the Council's arrangements for responding to the challenges posed by legislative and regulatory changes, the need to maintain basic housing standards and the responsibility to ensure the future affordability of the capital programme. At present the Council faces significant gap between the forecast capital spending that is needed to maintain housing stock to a decent standard and the funding that is currently available to achieve this, alongside the current housebuilding programme.

We have also made two improvement recommendations in relation to financial planning in the medium term.



Governance

The Council has made significant improvement to address recommendations from our VfM report of 2020/2021, strengthening financial and governance arrangements. This would be strengthened further if the MTFS included financial projections over a 3-5-year timescale to allow a better understanding of the longer-term financial position of the Council.

We have not identified any significant weaknesses nor recommendations for improvement in this area.



Improving economy, efficiency and effectiveness

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources. We have some concerns over the procurement service which needs to adapt quickly to take on board the new Government requirements, but we take assurance from the plans in place to do this.

We have not identified any significant weaknesses though we have made two recommendations for improvement.










Executive summary – Summary conclusions




Our overall conclusion on the Council's arrangements to deliver Value for Money in 2021/22

Our risk-based work on financial sustainability has identified significant weaknesses in arrangements to deliver value for money in the use of Council resources that impact on both the Financial Sustainability and Governance thematic areas of review.

For the purposes of our 2021/22 assessment these weaknesses are assessed to have carried forward into that year while the new arrangements embed and the Improvement Plan continues to be delivered. However, we are pleased to recognise the significant progress that has been made as reflected in the follow up to our Governance Review issued to Cabinet in December 2022.

No further significant weaknesses in arrangements were found across the three VfM themes. However, additional improvement recommendations have been made which we set out in this report.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	Risk identified because of the Council's low level of reserves	 No significant weaknesses in arrangements identified but improvement recommendations made	 Significant weakness in arrangements identified and two improvement recommendations have been made.	
Governance	No risks of significant weakness identified.	 No significant weaknesses in arrangements identified	 No significant weaknesses in arrangements identified	
Improving economy, efficiency and effectiveness	No risks of significant weakness identified but improvement recommendations made	 No significant weaknesses in arrangements identified but improvement recommendations made	 No significant weaknesses in arrangements identified but improvement recommendations made	

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

Executive summary – Significant Weakness

Overview of the issue

Our audit of VfM in 2021/22 has highlighted concerns relating to the Asset Management Strategy (AMS) and the Quality Homes Improvement programme (QHIP) which underpins that strategy as well as the extent of stock condition information which we referenced in our 2020/21 Auditor's Annual Report. We are concerned that under current projections, the Council does not have access to sufficient funds to ensure the affordability of its capital programme impacting on the Housing Revenue Account (HRA). This is especially the case given the competing priorities of building new homes, responding to the net zero agenda and meeting new building and fire safety regulations post Grenfell.

AMS and QHIP Governance issues

The 2016 AMS identified a funding requirement (in 2015 terms) of £794 million to deliver improvements to the Council's housing stock to bring the homes up to the required standard and this gave rise to the QHIP programme. A budget was set for year 1 of the programme, with the delivery of works outlined in the AMS for later years being dependent on resources being identified.

At 31 March 2023, after seven years of the ten-year QHIP programme, only £341m, (some £152m below the cumulative expenditure of £493m that the 2016 AMS had anticipated) had been spent. In the early years, the programme did not gear up as quickly as anticipated and then from March 2020 to December 2022, progress was limited by the measures put in place to deal with the impact of COVID-19. In 2022/23, despite much of the financial year still being impacted by restrictions arising from COVID-19, the expenditure for the year had increased up to 85% of annual programme expenditure outlined in the 2016 AMS for that period. However, a significant amount of the expenditure for 2022/23 was in relation to works not anticipated by the AMS when approved in 2016 (for example works arising from more stringent fire and building safety regulations, in no small part brought in following the Grenfell disaster.)

We have several concerns about the approach and delivery of the AMS and associated QHIP programme:

- Regardless of the duration of the QHIP programme, we would expect the AMS to be fully refreshed every five years rather than having a ten-year horizon. Legislation, regulations and expectations are always likely to change over a five-year period let alone a ten-year period. A consequence of the lack of action to review and revise the strategy over the past 2-3 years has been that the Council has not been well positioned to adapt to the scale of potential inflationary pressures on the existing programme and the cost of meeting new requirements.

- We would also expect to see an annual review of how delivery against the planned programme was progressing. We would expect this to give rise to extending timescales, re-profiling expenditure and identifying additional funding requirements at an early stage, recognising the budget, was the first consideration. An annual review of the programme might also trigger revisions to the strategy. Best practice is to have a 'mid-term' review of the Asset Management Strategy. In this case, it would have meant a major review of QHIP in 2019, following annual reviews in 2017 and 2018. Whilst the Council was sighted on the challenges, there were also competing priorities including the New Homes programme and the Net zero/refit objectives which required consideration over time.
- This left the Council having to react at relatively short notice to managing a significant gap the funding of its capital commitments in the Housing Revenue Account.

If the above arrangements had been in place, potential inadequacies in stock condition data, increasing costs and slower physical delivery could have been acted upon sooner. More timely and better-informed discussions between officers and members could have taken place and appropriate decisions taken. This would have been expected to give rise to a reprofiling of programmes and expenditure targets. This would have given the opportunity to have reviewed plans sooner, to have been able to arrange revised timescales and budgets and to have adapted them to the finances sooner.

Key recommendation 1:

We recommend that the Council introduces arrangements to refresh its AMS at least every 3-5 years. This would be supported by an annual review process which assesses delivery against the programme and carries out re-profiling and forecasting of costs.

AMS and QHIP Financial Management Issues

As already noted, the AMS and QHIP programme established in 2016 originally estimated an expenditure requirement of £794m (in 2015 terms). In our view it is likely that this was understated due to the Council's potential inadequate stock condition data at that time. The original costings do not appear to have subsequently been updated for changes to the building cost index, making it impossible to deliver the envisaged physical works over ten years on outdated costings and forecasts.

Executive summary – Significant Weakness

In addition, underspends against AMS projections in earlier years have not been compensated for by augmenting future years programmes by the reprofiling of works and therefore making resources available to deliver the works anticipated in the AMS. For the remaining three years of the QHIP programme, the annual budget is c£100m. It would need to be over £150m pa to invest the £794m in the Council's housing stock, which was the requirement identified in the AMS. This does not include any allowance for inflation or an assessment of the quantum of outstanding QHIP programme works required.

Key recommendation 2:

We recommend that the Council carries out a refresh of the costings for all housing capital expenditure (including the QHIP programme) and establishes how the resulting re-profiled programme might be funded. We note that the Council has started the process to address this (e.g. by commissioning a new stock condition survey from Savills). We note that Officers are communicating with members accordingly.

Stock Condition

Our VfM report of 2020/21 identified a number of recommendations relating to Housing. Two specifically focused on the condition of Housing stock in the borough. We recommended that:

- A comprehensive exercise is undertaken to improve the quality of stock condition survey data, beyond that which is currently seen as the standard within the sector. The Council could consider revising arrangements so that when team members visit homes, they are involved in validating existing records and updating stock condition data as this will give rise to a sense of ownership and increase confidence in the stock condition survey data amongst team members.
- Resources are put in place to ensure that stock condition survey data is kept up to date. If all team members visiting homes are involved in validating existing records and updating stock condition data this will give rise to a sense of ownership and increase confidence in the stock condition survey data amongst team members.

We note that stock condition data has recently been collected for 'high risk' properties. This data will inform a revised, prioritised programme to ensure that all homes remain safe and legal. We reiterate the recommendations from the 2020/21 VfM report in relation to management of stock condition data. We understand that the Council is in the very early stages of the implementation of a new stock condition database. It is essential that the recently collected 'snapshot' data is uploaded to the new database and maintained to ensure that it remains accurate and up to date.

In relation to the significant weaknesses in arrangements noted on the previous page, we note that had the stock condition data had been complete, accurate and held in a database that was fit for purpose, then this should have driven the review and refresh of the AMS and highlighted issues with the delivery of the capital programme. It could also have enabled effective sensitivity analysis on the level of risk and helped anticipate future cost pressures. For example, in the light of the any proposals for additional legislative and regulatory requirements, senior officers and members could have been appraised of likely costs in advance and funding sources could have been identified at a much earlier stage. The absence of high-quality stock condition data undermined the ability of the Housing team to accurately forecast capital costs and blinded them to risk, contributing to the lack of effective action.

Key recommendation 3:

We recommend that the Council, as an immediate priority and a matter of urgency, uploads the recently collected data on stock condition into its new database.

The proposed programme currently under discussion postpones the remaining QHIP works. If this occurs, it will have an adverse impact on tenant's homes in terms of continuing to meet the decent homes standard as well as planned replacement of other property components (e.g. windows, doors, rooves etc). If not addressed, this could lead to a decline in service quality that is likely to attract the attention of the Regulator of Social Housing, Housing Ombudsman and adversely impact the VfM theme of Economy, Efficiency and Effectiveness in future years. We will continue to monitor the development of risks in the area of Housing Service Delivery.

We are concerned that funding is not in place to enable all of the works required. These works include not only those required to address additional regulatory requirements, but also to maintain homes in a sound and decent condition and to meet the Council's net zero objectives.

Key recommendation 4:

We recommend that the Council addresses the issue of how it will fund the commitment it has to all its tenants to meet the decent homes standard. We note that the Council has started the process to address this and is communicating with members accordingly

Conclusion

We consider that the above observations constitute a significant weakness in terms of the financial sustainability of the capital and revenue aspects of the housing service operated through the Council's Housing Revenue Account.

Key Recommendations



Financial Sustainability

Recommendation

We have Made four Key recommendations in regard to this significant risk. We recommend that:

- The Council introduces arrangements to refresh its AMS at least every 3-5 years. This would be supported by an annual review process which assesses delivery against programme and carries out re-profiling and forecasting of costs (KR1).
- The Council carries out a refresh of the costings for all housing capital expenditure (including the QHIP programme) and establishes how the resulting re-profiled programme might be funded. (KR2).
- The Council, as an immediate priority and a matter of urgency, uploads the recently collected data on stock condition into its new database (KR3).
- The Council addresses the issue of how it will fund the commitment it has to all its tenants to meet the decent homes standard (KR4).

Why/impact

If not addressed, the Council will not be able to fund its planned capital programme and deliver minimum standards of housing to its constituents.

Auditor judgement

Significant Weakness due to the magnitude of the gap in funds available and the need for continued improvement in the availability of stock condition information.

Summary findings

We have identified a significant weakness in relation to the financial management of the Council's large social housing portfolio. This relates to its response to the challenges posed by legislative and regulatory changes, the need to maintain basic housing standards and the responsibility to ensure the future affordability of the capital programme. At present the Council faces significant gap between the forecast capital spending that is needed to maintain housing stock to a decent standard and the funding that is currently available to achieve this, alongside the current housebuilding programme.

Management Comments

The council is currently refreshing its entire capital programme, including the Asset Management Strategy (AMS) and will work towards both a 5-year review and an annual update as part of its annual capital outturn monitoring reports. This work will necessarily involve a review of the cost of the programme and, in a limited funding environment, will also need to incorporate a re-prioritisation of the various streams within the AMS to ensure the council is meeting all its regulatory requirements, including the building safety act, fire safety act and the decent homes standards. The council is constantly improving its stock condition data and will continue to ensure it is accurate, up to date and informs the regular programme review.

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

Opinion on the financial statements



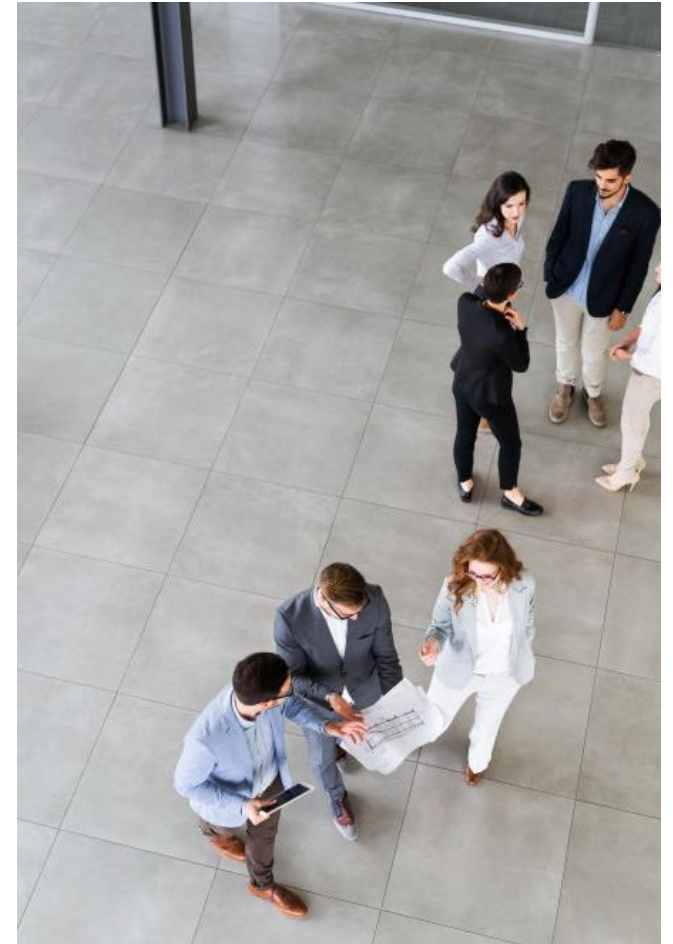
Audit opinion on the financial statements

The Council's 2020-21 and 2021-22 Accounts are still being audited at the date of issue of the AAR. The 2020-21 accounts were caught by the sector-wide issues relating to Highways Network Assets, which largely have been resolved by the updated guidance issued by CIPFA earlier in the year. The Council have revised their 2020-21 Accounts in line with the guidance and we are comfortable with the revised disclosures. We anticipate being able to close off 2020-21 in July 2023 following the completion of our NHS commitments. We anticipate issuing an unqualified opinion on these accounts.

In respect of 2021-22, we commenced our audit of these accounts in October 2022, but encountered challenges and delays which meant we were unable to complete this work by the end of January 2023. Since then further sector-wide guidance has been issued in respect of the IAS19 Valuations included within the 2021-22 Council and Pension Fund accounts, and updated valuations have been obtained from the Council's Actuary. We will return to complete the 2021-22 Accounts prior to us starting the 2022-23 Accounts, albeit this work is likely to take place later in the year. We are currently discussing and agreeing a timetable with management for this work. As it stands we are also proposing an unqualified opinion on the 2021-22 accounts, but this is subject to the completion of the outstanding testing and consideration of the revised IAS19 information.

We are also dealing with an objection to the 2021/22 Financial statements, however, based on the work carried out to date, the specific objection does not relate to a material item of accounts so would not prevent the accounts from being signed.

Under the PSAA Contract, 2022-23 will be our final year as the Council's external auditor and we will look to complete our work in a timely manner to enable an efficient handover to the new external auditor.



Use of auditor's powers

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local Council accounting in the United Kingdom 2021/22

The audit for 2021-22 is in the process of being concluded, and is expected to be signed in February 2024. The delays in the audit process have been reported.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

To be finalised on conclusion of the audit.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

Not applicable at this point in time. As noted, we are still to conclude on an objection we received to the 2021/22 annual report and accounts. We will provide an update, as relevant, following our conclusion.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

To be finalised on conclusion of the audit.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the Council or an officer of the Council:

- is about to make or has made a decision which involves or would involve the Council incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

To be finalised on conclusion of the audit.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an Council, or of a failure by an Council to act, which it is reasonable to believe would have an effect on the accounts of that body.

To be finalised on conclusion of the audit.

Key Findings from our VfM Review 2021/22

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- identifies all the significant financial pressures that ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial Planning and Managing Pressures

The year 2021/22 and the first three quarters of 2022/23 have been a challenging period for the Council in terms of its medium-term financial planning, as it has for all local authorities. During 2021/22 the Council continued to experience the financial impact of COVID-19. Key financial pressures continued to be in the areas of Adult Social Care and Children's Services. In 2022/23 a number of new financial pressures have arisen, as a result of a sharp downturn in economic conditions both in the UK and globally, that significantly increased the magnitude of inflationary pressures from the early part of 2021/22, beyond what had been projected when the budget was set.

Assumptions underpinning revenue budgets for 2022/23 and over the medium term, which were agreed only in February 2022, have had to be revised following the significant economic challenges and cost increases affecting the global economy. In particular employment costs for direct employees and those of providers, premises costs (energy inflation), transport costs (fuel inflation) and of the general impact of inflation on the purchase of goods and services, including suppliers passing on additional costs or renegotiating contract prices have impacted all Councils. Some of the most significant levels of inflation are being experienced in the construction sector and the Council has also reacted to heighten the risk in the Regeneration and Capital programmes.

In our discussions with the S151 officer and the Head of Finance it has become clear that they have recognised these pressures and have sought to identify savings through the Directorates, although inevitably given some of the cost increases they have had to use some of their accumulated reserves to set a balanced budget. Overall, inflation and other factors have also led to significant increases in the Council's projected funding gap for 2023-24 (£16.4m). The Council revised its MTFS in the light of the Local government funding settlement in December 2022. We are pleased to see that the Council is proposing a balanced budget with £16.4m savings identified to achieve this.

The Council has not published a Medium Term financial position as it has stated that due to the Government only providing a single year settlement so it is very difficult to plan beyond that year as there is too much uncertainty.

This position is out of line with our recommendation in our 2020-21 VfM audit report which recommended a 3-5 year horizon for medium term financial plans. It is also out of kilter with CIPFA recommended best practice which states that "Effective financial management in the public sector has always been built on planning for the long-term".

We note that 3-year budget plans are in fact prepared by Service Directors so the information is available and these could be used as the basis for a Medium Term financial forecast. The Council's approach is also out of kilter with the majority of other Councils who are in the same position of funding uncertainty though the Council has stated they plan to introduce 3-year forecasts for the 2024-25 budget year onwards. Accordingly, we repeat our recommendation from last year's audit.

Improvement recommendation: We recommend that a comprehensive MTFS projection is included either in the Policy and Resources Strategy paper that accompanies the budget in the February report to Cabinet, or in the Medium-Term Financial Strategy document. This should outline the base case financial projection over a 3-5 year horizon and the key funding and cost assumptions. It should also demonstrate how longer-term efficiency programmes can contribute to reducing projected deficits in future years. And the extent to which the risk can be mitigated through reserves and other measures

Savings plans

The Council has taken a conscious decision not to establish a savings/transformation programme to help identify potential savings opportunities. This type of approach is regarded as both expensive and not always the optimal solution. Instead, Service Directors are given responsibility for identifying savings and this is done via the budget process. The 2023-24 budget document includes appendices identifying efficiencies in Directorates, Income generation proposals and savings impacting service levels. It is through these savings plus a contribution from Reserves of £3m that the Council has been able to balance the 2023/24 budget.

Financial sustainability

Managing Financial Resilience and Reserves

As noted previously, 2022/23 has been a particularly difficult year in which to plan Council finances. Underspends from 2021-22 were carried forward into reserves and its relatively strong opening reserves position have been used to smooth the overspends that have arisen during 2022/23. The Council's most recent forecast reserves position is shown in the table below:

	31 March 2022 £000	31 March 2021 £000	Movement £000
General Fund Balance	(22,445)	(21,002)	(1,443)
Earmarked Reserves			
Corporate projects and priorities	(18,876)	(15,514)	(3,362)
Service reviews and improvement	(34,554)	(24,218)	(10,336)
Capital programme and capital investment	(36,723)	(28,403)	(8,320)
Strategic financial risk	(65,597)	(61,824)	(3,773)
Technical liabilities and smoothing reserves	(26,618)	(21,229)	(5,389)
Subtotal	(182,368)	(151,188)	(31,180)
Covid-19 reserves	(25,872)	(53,425)	27,553
Subtotal	(25,872)	(53,425)	27,553
School reserves			
School balances	(14,391)	(13,813)	(578)
Subtotal	(14,391)	(13,813)	(578)
Housing Revenue Account (HRA)			
HRA balance	(26,130)	(28,346)	2,216
Major repairs reserve	-	(3,500)	3,500
Subtotal	(26,130)	(31,846)	5,716
Total revenue usable reserves	(271,206)	(271,274)	68
Capital reserves	(100,419)	(71,771)	(28,648)

Despite the challenging past 12-18 months, the Council's reserves position remains positive, however we note that due to the absence of medium-term forecasts it is difficult to assess the potential reserves position in the future. Given the scale of the likely financial challenges the likelihood is that the Council's reserves will come under pressure, and it is important to understand how the Council is addressing the issue of potential reserves depletion in the medium term. We understand the limitations of the forecasts given the uncertain funding regime but we still feel the Council should be able to make a 3-5 year forecast and include within that the impact on reserves. We note that while the COVID-19 Reserve has been depleted, other earmarked reserves have been increased in 2021/22.

Improvement recommendation: The Council should work pro-actively to build reserves in line with a robust assessment of risk over the medium term to strengthen financial sustainability beyond 2023/24.

Financial Performance in 2021/22

The overall 2021-22 outturn position (see table below) shows a nil variance after movements to reserves and application of COVID-19 emergency funding. Within the overall position, additional costs and lost income due to the pandemic amounted to £13.5m which has been met by emergency funding support (including sales, fees and charges compensation).

General Fund	Original Budget £000	Budget Movement £000	Revised Budget £000	Net Spend in Year £000	Year-end reserve movement £000	Total use of resources £000	Variance after use of reserves £000
Children & Families	65,440	318	65,758	68,568	-	68,568	2,810
Adult Social Care	86,236	27	86,264	83,061	-	83,061	(3,202)
Commissioning & Central	4,629	-	4,629	4,826	-	4,826	197
Education	21,162	(2,941)	18,222	17,984	-	17,984	(237)
Children & Adults (excl. DSG)	177,468	(2,596)	174,872	174,440	-	174,440	(432)
Dedicated Schools Grant	150	(150)	-	1,056	-	1,056	1,056
Environment & Leisure	87,811	1,984	89,795	90,381	-	90,381	586
Housing & Modernisation	61,168	(755)	60,413	68,218	-	68,218	7,805
Chief Executive's	(302)	1,521	1,219	3,049	-	3,049	1,830
Finance & Governance	20,865	364	21,229	21,187	-	21,187	(43)
Public Health	(0)	-	(0)	(0)	-	(0)	0
Strategic Finance	(10,893)	641	(10,252)	(24,452)	17,902	(6,550)	3,702
Support Cost Reallocations	(41,332)	(1,009)	(42,341)	(42,341)	-	(42,341)	-
Contingency	4,000	-	4,000	4,000	-	4,000	-
Contribution from Reserves	(5,815)	-	(5,815)	(5,815)	-	(5,815)	-
Net Revenue Budget	293,121	-	293,121	289,724	17,902	307,626	14,505
DSG overspend taken to DSG adjustment account				-	(1,056)	(1,056)	(1,056)
Covid-19 emergency funding support				(13,449)	-	(13,449)	(13,449)
Outturn after reserve movements				276,274	16,846	293,121	-

For several years previously the Council had planned for the use of reserves to help smooth the impact of government funding reductions and other budget pressures, especially during the period of austerity. Not only did this help to protect Council services but it has also allowed time to transition towards new ways of working, productivity improvements and efficiencies. There were no budgeted contributions from reserves in 2020-21, however £5m was earmarked to meet the budgeted contribution in 2021-22 and a further £2.5m to help mitigate the forecast deficit in 2022-23.

Overall, the Council was able to deliver to budget and maintain a stable financial position at the end of 2021/22. It was also able to consolidate and continue to build the level of reserves available to manage future financial risks.

Financial sustainability

Financial Performance 2022/23 to date

As at the third quarter (Q3) the Council is reporting an overall projected outturn position for the General Fund of an overspend of £6.1m. The table below shows the projected departmental budget outturn variances together with the estimated utilisation of reserves as at the end of 2022-23.

General Fund	Original Budget	Budget Mov't	Revised Budget	Forecast Spend in Year	Variance before use of reserves	Forecast Reserves Mov't	Total use of resources	Variance after use of reserves
	£000	£000	£000	£000		£000	£000	£000
Children & Families	67,317	(2,300)	65,017	67,500	2,483	(124)	67,376	2,359
Adult Social Care	77,710	2,416	80,126	82,356	2,230	(2,491)	79,865	(261)
Commissioning & Central	5,017	-	5,017	5,502	485	(140)	5,362	345
Education	19,526	(1,238)	18,288	22,798	4,510	(1,226)	21,572	3,284
Public Health	(1)	-	(1)	(1,427)	(1,427)	1,427	-	1
Children & Adults (excl. DSG)	169,569	(1,122)	168,447	176,729	8,281	(2,553)	174,175	5,728
Environment & Leisure	91,554	2,931	94,485	98,565	4,157	(1,281)	97,284	2,799
Housing & Modernisation	63,090	(7,654)	55,436	59,053	3,617	(656)	58,397	2,961
Chief Executive's	1,791	1,189	2,980	5,353	2,373	(681)	4,672	1,692
Finance & Governance	21,319	222	21,542	22,566	1,025	(127)	22,440	898
Strategic Finance	(13,669)	4,433	(9,236)	(9,236)	-	72	(9,163)	72
Support Cost Reallocations	(42,341)	-	(42,341)	(42,341)	-	-	(42,341)	-
Contingency	4,000	-	4,000	4,000	-	-	4,000	-
Contribution from Reserves	(2,078)	-	(2,078)	(2,078)	-	-	(2,078)	-
Total General Fund	293,236	-	293,236	312,612	19,376	(5,226)	307,386	14,150
<i>Of which, unbudgeted pressures:</i>								
Pay Award: Social Care						(1,556)	(1,556)	(1,556)
Pay Award: Other Services						(4,509)	(4,509)	(4,509)
Backdated Overtime Payments						(936)	(936)	(936)
Energy price inflation						(1,000)	(1,000)	(1,000)
Outturn Forecast	293,236	-	293,236	312,612	19,376	(13,227)	299,385	6,149
DSG Overspend	-	-	-	2,991	2,991	-	2,991	2,991

Our discussions with the senior Finance team have indicated that they are confident this overspend will be managed by year end as it is their view that much of it is driven by overly pessimistic spend forecasts. We recognise that in line with Councils across the UK, the economic and inflationary pressures exceeded what could reasonably have been projected when the budget was set in February 2022, and the subsequent overspending that has had to be managed is not an indication of a weakness in financial planning arrangements. The fact that the Council expects to be able to cover the overspend with reserves and other measures and set a balanced budget for 2023/34 is indicative of robust financial management arrangements. The Council will need to continue to adapt and strengthen its financial planning processes to address the heightened level of financial challenge expected to persist over the medium term. There are issues with the DSG which we deal with in the "Improving economy, efficiency and effectiveness" section of this report

Managing financial risks

The Council manages risk through its Corporate Risk Strategy and the Audit and Risk Assurance Committee provides oversight of the process. Service directors undertake an Equality Impact Assessment on all identified service changes and policy amendments.

Capital investment

In 2021/22 we note that overall, the Council total expenditure in 2021-22 was £97m against a programmed spend of £109m. In the context of delivering under difficult economic conditions, this reflects reasonable performance.

The 2022/23 capital programme was agreed in February 2022. As at January 2023 after period 8 Forecast expenditure is £101m against a programmed spend of £120m.

The 2023/24 budget proposal includes a capital programme for 2023/24 of £149m of which £112m is forecast to be funded by borrowing. The ongoing implications for the revenue budget strategy are fully considered before any capital funding decisions are confirmed. Given the current pressures on costs being experienced in all sectors the Finance team have been carrying out an extensive review of the capital programme with a detailed review of each of the 360 projects. These are being assessed against a set of criteria established by members and the plan is to report on these in July 2023 with a view to significantly reducing the cost of the programme moving forwards while at the same time ensuring priority projects are maintained.

Borrowing Position

The Council's borrowing position in its latest Treasury Management strategy (presented to Cabinet in Feb 2022) is shown in the table overleaf in terms of the Council's Capital Financing Requirement (CFR). This is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources.

Financial sustainability

Borrowing Position (continued)

	2020-21 Actual £m	2021-22 Forecast £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m
General Fund CFR	699	728	835	872	875
HRA CFR	521	621	964	1,138	1,242
Total CFR	1,220	1,349	1,799	2,010	2,117
Less: Other debt liabilities*	-91	-86	-101	-96	-91
Borrowing CFR	1,129	1,263	1,698	1,914	2,026
Less: External Borrowing**	-891	-831	-708	-688	-667
Internal Borrowing / (Over Borrowing)	238	432	990	1,226	1,359
Less: Usable reserves	-343	-293	-263	-243	-223
Less: Working capital	-47	-47	-47	-47	-47
(Investments)/New Borrowing	-152	92	680	936	1,089
Net Borrowing Requirement	-739	-923	-1,388	-1,624	-1,756

Pension Arrangements

The London Borough of Southwark Pension Fund (the Fund) is one of the largest Local Government Pension Scheme (LGPS) funds in London in terms of membership and assets. The LGPS provides for the occupational pensions of employees, other than teachers, police officers and fire fighters, of local authorities. It is a contributory defined benefit (DB) scheme established by the Superannuation Act 1972. We have reviewed the arrangements and are content that the council has properly assessed the risks.

Conclusion on Financial Sustainability

The Council continues to operate in a financially and operationally challenging environment. Their financial planning both in the short and medium term is on a sound footing with a prudent assumptions being built into both. The signals are that the challenges will continue so the need for the structured and disciplined approach to managing finances and reserves which the Council has demonstrated will continue to be crucial. We regard the lack of financial projections for the medium term as a weakness of the Council and it will be helpful for the Council to start to publish their 3-5 year financial projections rather than only the next financial year as they have done to date.

Our audit of VfM in 2021/22 has highlighted concerns relating to the Asset Management Strategy (AMS) and the Quality Homes Improvement programme (QHIP) which underpins that strategy as well as the extent of stock condition information which we referenced in our 2020/21 Auditor's Annual Report. In particular, we are concerned that under current projections, the Council does not have access to sufficient funds to ensure the affordability of its capital programme impacting on the Housing Revenue Account (HRA) and does not have sufficient information on the condition of its housing stock.

We consider that the above observations constitute a significant weakness in terms of the financial sustainability of the capital and revenue aspects of the housing service operated through the Council's Housing Revenue Account.

Improvement recommendations



Financial sustainability

Recommendation 1

We recommend that a comprehensive MTFS projection is included either in the Policy and Resources Strategy paper that accompanies the budget in the February report to Cabinet, or in the Medium-Term Financial Strategy document. This should outline the base case financial projection over a 3–5-year horizon and the key funding and cost assumptions. It should also demonstrate how longer-term efficiency programmes can contribute to reducing projected deficits in future years. And the extent to which the risk can be mitigated through reserves and other measures

Why/impact

We understand the Council’s view that the current the current level of uncertainty makes it very difficult to plan beyond the next financial year, however this is out of step with generally accepted practice. The risk is that this reduces the visibility of the Council’s strategy for managing finances in the medium term and hence the opportunity for scrutiny by members and the public.

Auditor judgement

This is an issue of presentation and transparency, as we can see that the Council does use scenarios to help plan its financial position. This is therefore an improvement recommendation and does not reflect a significant weakness.

Summary findings

We note that although the Council clearly uses medium term financial analysis to feed into the annual budget setting process, the published Medium Term Financial Strategy document provides a financial policy narrative, rather than a clear high level financial plan for the medium term.

Management comment

The Council is working towards a 3-year budget plan with a financial strategy due to be considered by Assembly in Autumn 2023. The final budget presented to Assembly in February 2024 will include three-year projections including longer-term growth and savings options.



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

Improvement recommendations



Financial sustainability

Recommendation 2

The Council should work pro-actively to build reserves in line with a robust assessment of risk over the medium term to strengthen financial sustainability beyond 2023/24.

Why/impact

While the Council's reserves position is currently adequate, future pressures indicate that they could come under significant pressure and need to be built-up in line with an effective risk assessment to ensure continuing financial resilience.

Auditor judgement

Improvement recommendation

Summary findings

The Council is aware that reserves used up in managing funding shortfalls over the next 3 years will need to be built back up so they can retain that financial resilience. The savings identified as part of the MTFS in 2022/23 are in the main recurrent savings so will contribute to closing the longer-term management of funding gaps. However, the pressures in the next 3 years are significant so the Council does need to develop plans to rebuild those reserves back such that they are in a position to be able to manage any future financial challenges.

Management Comments

The Council considers its current risk holdings adequate and during each strategy review will re-assess the required level of reserves to ensure it supports the Council's spending plans.



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

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Leadership and Committee effectiveness

The Council continues to operate a Leader and Cabinet form of executive arrangements. The Cabinet comprises a senior group of Councillors which work in a similar way to the government's Cabinet, and headed by the leader who is elected by Council assembly for a four year term.

The Council's Constitution governs the work of the Committees. This is reviewed and updated on an annual basis and made publicly available too. Furthermore, the Annual Governance Statement (AGS) is also available and sets out the operation of the Council as well as decision making and policies. This allows for efficiency, transparency and accountability.

Policies are in place and regulated to ensure compliant behaviours and maintain an appropriate culture. An example is the 'Fairer Future Anti-fraud, bribery and corruption strategy.' This defines the act of fraud, provides examples of key fraud risks, core objectives and how the Council fights fraud.

Monitoring and assessing risk

The Council have a corporate risk register in place which is used to identify, record and rate their risks. This register is prepared following a joint assessment of all departmental risks. These risks are then rated from 'low' to 'high' and also categorised into the following categories:

Economic
Financial
Reputational
Staffing Culture
Operational
Legal Regulatory

The Audit, Governance and Standards committee annually report on the Council's key risk register. The key corporate risks were last reported to the committee in January 2022.

On 6th February 2023 the report provided an annual update and summarised the corporate risk management and insurance arrangements and reports on details of the Council's risk profile and risk categories.

Risks are monitored and reported appropriately through the performance review and challenge process which includes a quarterly review of key risks by each Cabinet member within their own portfolio. Chief Officers also monitor and review key Council risks on a regular basis. Corporate risks are reported to the Audit, Governance and Standards committee annually.

Internal Audit

The Council have an outsourced Internal Audit function which is performed by BDO LLP. Moderate Assurance was provided by BDO who commented 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 2019-20 and 2020-21. The main reason for the Moderate assurance is the ongoing impact of COVID-19, increased demands on services and funding challenges faced but this has been considered to be a positive result in the light of these facts. IAU noted that the relative proportion of substantial assurance opinions provided for the design of the Council's controls had actually improved from 24% in 2020-21 to 38% and for operational effectiveness of the controls, it had improved from 6% in 2020-21 to 15% in 2021-22.

The areas of limited assurance relate to Adoption services, member protocols, Major works, asset management and IT disaster recovery. In all cases remedial actions are in place

Senior Leadership Transition and Succession Planning

The Council are currently in a period of transition with the arrival of the new CEO in May 2022 and the retirement of the Strategic Director of Finance (DoF) and Governance in April 2023. Such transitional periods can be difficult to navigate and keeping a corporate grip is more challenging. We have no doubts that the senior leadership understand this but the loss of corporate knowledge of two such senior management positions inevitably puts pressure on the Council.

Governance

The Council has not changed its risk profile significantly, however they are, like many other Councils, working through how to continue to deliver what they want within an inflationary period with increased regulatory pressure to address weaknesses, especially in Housing. Equally that pressure could be in Childrens or Adults Social Care. Strong governance, in particular around risk appetite in a new more challenging economic environment will need to be enforced in order to successfully address these challenges.

Budget Setting

The Council have a new Medium Term Financial Strategy in place, known as the 'Fairer Futures Medium Term Financial Strategy' and covers 2022/23-2026/27. This new strategy informs the budget setting process and includes key budget principles. Note this strategy is not the MTFS but rather a statement of the principles which will guide the MTFS. As we have referenced in the "Financial Sustainability" section of this report the MTFS however does **not** include figures or numbers, which we consider to be a pivotal part of the MTFS. As we did in our 2020/21 VfM report we recommend that the MTFS is updated to include financial projections over a 3-5 year time horizon. Though the outgoing S151 has disagreed with this approach due to the significant uncertainty around government funding beyond a one-year window the Head of Finance has confirmed to us in discussions that this is the plan for the 2024/25 financial planning round.

During the year 2021/22, the Council improved their budget setting process with wider engagement, to ensure that alternative proposals and scenarios are considered before the final budget is presented to Cabinet. Through planned engagement work on the refresh of the Corporate Plan, members and other stakeholders were asked to consider a wide range of options around budget savings. The Council has also performed an extensive consultation exercise, and the outcomes from a series of stakeholder workshops fed into the budget and savings proposals.

Budgetary Control

The finance team engage with budget holders regularly and budget monitoring reports are reviewed by Cabinet at quarterly intervals. The monitoring reports are then considered by the Overview and Scrutiny Committee and any variances and recommendations are then incorporated into the final report. Each Departmental Finance Manager reports by exception to their Service Director and then to the Strategic Director of Finance and Governance

As part of the initial budget scrutiny for the Policy and Resources Strategy, any information concerning the Council's latest position is submitted by the Cabinet Member for Finance and Resources and the Strategic Director of Finance and Governance. All strategic directors are responsible for delivering their services within budget and departmental managers provide support to address any budget pressures. This helps ensure effective accountability when delivering budgets and shows that financial performance is a key objective for senior managers and budget holders. Departmental managers are expected to have a strong understanding of their budget and how it fits within the wider context and budget of the Council. They are expected to provide reasons for any outturn variance in their department's budget and should identify any additional budget pressures and how they will mitigate against them

Governance – Overall conclusion

The Council has made significant improvement to address recommendations from our VfM report of 2020/2021, strengthening financial and governance arrangements. As recommended in the Financial Sustainability section of this report this would be strengthened further if the MTFS included financial projections over a 3-5 year timescale to allow a better understanding of the longer term financial position of the Council.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives

Financial and performance information

The Council's performance monitoring regime is built around the two key Council plans, the Borough Plan (or Delivery plan 2022-26 as it is now named) and the Southwark 20230 vision document. The Council monitors its performance against the objectives and milestones contained within these documents and does this via a monitoring regime comprising the Performance Challenge Board which monitors corporate performance on a regular basis. Departmental data is collated and reviewed on a quarterly basis. The performance framework has been changed during the latter half of 2022 with more focus now being centred on priority areas in the plans rather than routine monitoring of all areas on a cyclical basis.

A stronger focus on officers preparing for the performance challenge sessions means that members are having more time to focus on addressing key issues which should lead to better outcomes in due course. It is early days for the new performance regime and this will need to be kept under review.

Performance data is in the main managed by individual departments and the Council is in the early stages of specifying requirements for a data system that will allow performance data to be standardised and collated more easily thus allowing for better analysis. There is a reliance currently placed on departments to ensure the reliability and accuracy of the data they are supplying. Where there are statutory requirements eg Childrens and Adult Social Care this is more likely to be reliable but other services are less so. We note the appointment of the Head of Policy, Partnerships and Performance (started in Feb 23) and we would encourage the Council to expedite the process of developing the data system requirement.

The Council has purchased access to the GT CFOi benchmarking tool and this is used in the area of Finance. We encourage the use of the tool to inform the work of the performance monitoring team in the newly established Strategy and Communities department which has oversight of performance monitoring for the Council.

Service evaluation

The Council has insourced a number of its services and only a limited number remain outsourced e.g. waste and shared ICT service which reduces the overall exposure to risk from reliance on third parties. These services are performance managed within the directorates, and performance issues are reported to Cabinet by exception. Indeed in our discussions with the Director of Social Care, he highlighted the very positive impact the ICT team had had on his service. The Leisure service is currently being insourced and will start operating on 21 June 2023.

Dedicated Schools Grant (DSG)

In 2022, the government's local government finance policy statement announced that the statutory override for the Dedicated Schools Grant (DSG) would be extended for the next three years from 2023-24 to 2025-26. The statutory override means that any DSG deficits do not need to be included in the Council's main revenue budgets. The statutory override only provides temporary relief for Councils to manage their DSG deficits. When the statutory override expires, Councils will be expected to cover the cost of their DSG deficits themselves. This would likely have to be met from un-ringfenced general reserves. The risk arises when many Councils consider that their general reserves balance may be close to or less than the amount required to fund their DSG deficit. Many Councils have become dependent on the statutory override to continue as a going concern. With the statutory override expiring in 2025/26, there is intense pressure for Councils to devise a plan to manage the DSG deficit to mitigate the risk of funding the deficit from reserves and risk fully depleting the general reserves balance.

The Council has recently agreed with the Department for Education (DfE) a funding settlement to clear the deficit in the DSG. The total funding of £21m is based on the Council undertaking actions to manage the in-year financial position of the DSG and is paid via the "Safety Valve" scheme DfE has put in place to support Councils whose DSG are in significant deficit.

Improving economy, efficiency and effectiveness

Service evaluation (continued)

The funding is to be paid over 5 years (first tranche of £9m was received in March 2023 with years 2 to 4 at £2.5m per annum and year 5 at £5m). The Council will be subject to a triannual review by DfE inspectors and will be expected to break even by year 4 of the 5-year agreement. The agreement also includes £3m Capital funding which has been very helpful in helping set up support infrastructure ie. a resource base and the mainstream school for children with disabilities. A Savings plan is now in place and governance arrangements have been established via the Budget Review Board (BRB). Two strategic directors - ASC/CSC and S151 are on BRB. Additionally external independent assurance is provided by RSM. Additional resources are now being recruited with a recent internal appointment made. **This is a very challenging programme of work and will require real focus, drive and determination from the service. The Council senior management team needs to give the programme the priority it requires.**

The Council will be expected, by 2025-26, to migrate its DSG balances on to its Balance Sheet, as the current governance statutory override of this requirement elapses in that year. It will be critical at that point for the Council to be able to demonstrate good progress in delivering the DSG savings plans and also to have in place sufficient Reserves to cover the deficit if plans are not on track.

Social Care

The Council has made great strides in Social Care and the service continues to deliver good outcomes for both Adults and Children of the Borough. The service has a £460m gross spend and though it has overspent by £5m in 2022/23 this has been mitigated by £23m of Reserves which the Department retains to deal with spend issues. Previously the service had been £19m in deficit so turning this into £23m reserves has been an excellent performance in last 5-7 years. Pressures on the service continue to be around IT and Social Care systems as well as some issues losing staff to the NHS ICS. But the service has a very strong grasp on contracts management though in some instances the Council has had to pay higher than inflation contract prices and make pay awards above inflation. Recruitment has not been as much an issue for Southwark as they have taken the decision to pay London Living Wage and via their ethical charter have ensured that staff are also paid for travel time and training. This means that staff retention is high and recruitment issues reduced. In addition their strategy has been to target international recruits and they have secured these on 5 year visas which means they are committed to working for the Council for 5 years.

Service evaluation (continued)

This has given workforce some stability. There have been problems in recruitment and retention of Occupational Therapists (OTs) but to attract them they have created a new role Head of OT, so this can be an incentive for OTs who will get mentoring and support as well as potential career path. Generally in terms of recruitment and retention the policy of paying living wage, travel time and training has led to good retention and loyalty rates. The Southwark supplement is paid to guarantee good pay rates and the Council has found that this has led to a lot higher proportion of men working in Homecare sector as they are guaranteed a good living wage

Partnership Working

The Council reviews its partnership working on a regular basis and has in the past year taken the decision to insource leisure services (as reported in the section above). The service commences on 21 June 2023 with Everyone Active/SLM ceasing their service provision on 20 June. The Council continues to work collaboratively with other London Councils in the Adopt South London partnership (a 10-Council partnership) which has been at the forefront of leading VFM work across the region moving from a funding approach based on historic spend to a demand based funding model based on use while enabling Councils to, as best as possible, anticipate demand and manage fluctuations

The Council continues to be part of the Commissioning Alliance, a Dynamic Purchasing Vehicle (DPV) with 14 Councils on the framework (incl. Southwark) in two specific areas for Children's Residential Care and Independent Fostering Agencies. The Alliance utilises its buying powers to drive improved quality and costs for local authorities.

Procurement, Commissioning and Contract Management

In 2020/21 we reported that the Council was in the process of developing its procurement function and the procurement strategy, the Fairer Future Procurement Framework (FFPF), had been developed over the past 6 years and now incorporates social value, climate change and Equality.

We note that the procurement function is devolved to departments and this is causing issues in terms of maintaining an up to date and complete Contracts Register as there is a lack of consistency in completion of the register. The procurement team are unable to give us an assurance that the register is complete and accurate.

Improving economy, efficiency and effectiveness

Procurement, Commissioning and Contract Management (continued)

It is also proving difficult to ensure consistency of practice across departments though we note that the Procurement training and a Contract Management toolkit has now been rolled out across departments. The team has also highlighted the lack of any central resource or software to support reporting of Contract Management in general. This hinders the ability to plan for a pipeline development of an efficient and effective procurement service as there is no central repository for the planning, procurement and contracts management information that the Council can use to support the function and confirm delivery of best value for money.

Additionally, and crucially new legislation governing procurement is expected to become live in early 2024 and this will amend the regulations that govern procurement in the public sector so the Council needs to adapt to ensure it can be compliant. We note that the Procurement Team took a paper to the Corporate management Team (CMT) in early March highlighting these changes and the required transformation of procurement at Southwark. The report highlights that:

“the lack of a centralised structure around procurement or the reporting of contract information and planning is a key risk to the Council both in terms of ensuring compliance with the requirements of the Procurement Act but also in achieving consistency of reporting and delivery information on the outcomes of the Council’s expenditure with third party organisations”.

We echo these concerns.

The report also notes that the Childrens and Adults Commissioning service had recently developed an outline business case for a system to store and manage contracts. It recommended that this be paused until a more holistic solution for the whole of the Council can be developed. Again, we support this recommendation

There is clearly much work to do at the Council to develop a fit for purpose, efficient and effective procurement service, incorporating Contract Management. It appears the current service is disaggregated, and it is not clear that the current structure facilitates the achievement of best value for money from procurement activity. The lack of a complete and accurate Contracts register is a red flag as is the distributed nature of the service and the lack of central resources to be able to properly coordinate, control and monitor procurement activity. We note the recent report taken to the senior management team highlighting the issues raised by the impending Government legislation. Given the requirements of this new legislation we regard this as high priority for the Council to address the procurement service moving forward.

Procurement, Commissioning and Contract Management (continued)

Improvement recommendation: The Council should prioritise the review of the procurement service to ensure it is fit for purpose and ready for the implementation of new procurement legislation in early 2024 with a particular focus on ensuring the Contracts Register is up to date and that procurement practice and processes are consistent across all services where procurement is devolved

In terms of the number of tender waivers the Council have a gateway process which ensures any direct awards must go through both their Directorate Contracts Review Boards (DCRB) and their Corporate Contracts Review Board (CCRB). There is not a Tender waiver form per se but each gateway 1 review includes confirmation of whether this is a direct award or not and it has the appropriate rationale associated with it. In terms of being able to log and report on tender waivers it would be beneficial for the Council to have an established process with the requisite documentation.

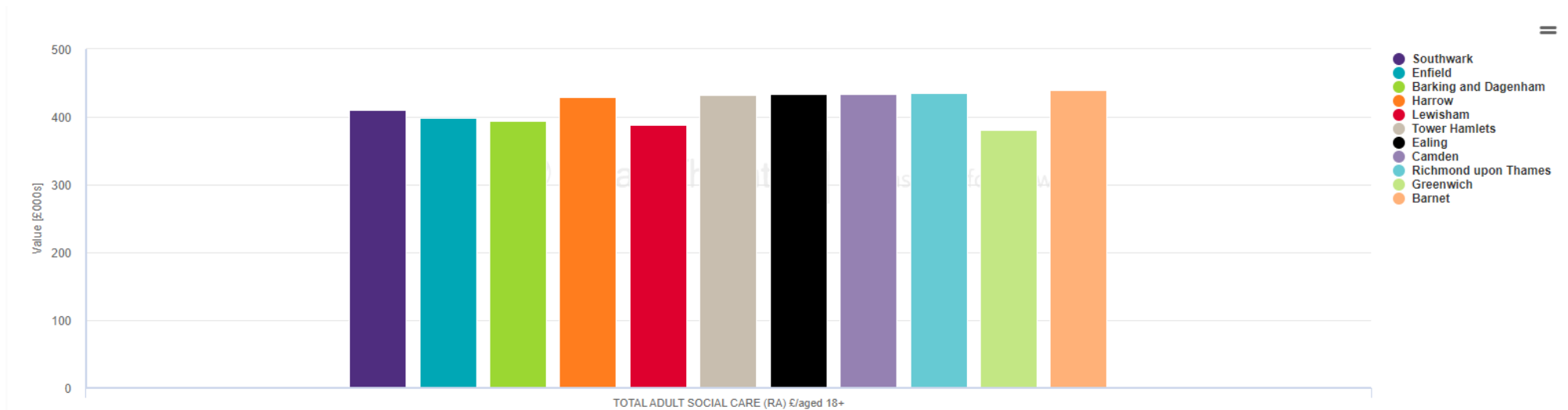
Improvement recommendation. The Council should consider reviewing its process for and its reporting of tender waivers with a view to introducing them as soon as is practicable

Improving economy, efficiency and effectiveness

Assessing Value for Money in the services

As part of our review we made use of the Grant Thornton data analytics platform CFO Insights to benchmark Southwark Council against other local authorities in relation to spend per head of 18+ population. This used the most recent available data (2022/23 RA Return). This compared the Council's submitted budget data for 2022/23 to other similar Councils. The results of this indicated that the Council were not an outlier for high spend for any service area.

We note that in our previous Auditors Annual Report for 2020/21, we reported that Southwark benchmarked very high for Adult Social Care, but in the more recent 2022/23 budget data, while still comparatively high, the Council was in line with other comparable Councils.



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Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 3

The Council should prioritise the review of the procurement service including Contract Management to ensure it is fit for purpose and ready for the implementation of new procurement legislation in early 2024.

Why/impact

The responsibility for the Council’s procurement function is disaggregated which makes control and monitoring difficult. This has led to inconsistency of practice with a Contracts Register that is incomplete and potentially inaccurate. New Government legislation regarding procurement regulations is putting pressure on procurement teams to ensure they have centralised records and can monitor and control procurements and contracts and report on these to government and publish Contract Management for contracts over £5m in value.

Auditor judgement

Improvement recommendation

Summary findings

The Council’s procurement service including contract management needs to adapt to new government legislation and develop a more centralised approach and reporting functionality.

Management Comments

A review of the structure, resources and nature of the procurement function, including systems is planned to be carried out in relation to procurement and contract management, in part in response to the risks and opportunities including those presented by the Procurement Act that will aim to address the areas of concern raised in this recommendation.



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

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 4

The Council should consider reviewing its process for and its reporting of tender waivers with a view to introducing them as soon as is practicable

Why/impact

The management of tender waivers is a key KPI in terms of the efficiency and effectiveness of a procurement service and acts as an important control in the overall procurement function as it ensures that procurements are properly challenged

Auditor judgement

Improvement recommendation

Summary findings

The Council does not have a formalised tender waiver process, nor does it routinely report tender waivers. This is an important control in the procurement process so should be introduced as soon as is practicable

Management Comments

A review of the potential framework that the council will create to address the risks presented in relation to the waivers and the associated processes and thresholds will be carried out.



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

Follow-up of Prior year Improvement recommendations (AAR)

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
1	We recommend that a comprehensive exercise is undertaken to improve the quality of stock condition survey data. If all team members visiting homes are involved in validating existing records and updating stock condition data, this will give rise to a sense of ownership and increase confidence in the stock condition survey data amongst team members. This needs to be supported by appropriate technology.	Improvement	July 2022	We will be undertaking a comprehensive stock condition programme. We have approval to conduct some pilots for this starting in April/May 2023. The rest of the programme will begin as soon as possible after that, but is dependent on procurement. For officers going to homes, the Council is looking at an HHSRS training programme. The Strategic Director for Housing has agreed with the need for this programme and each relevant service has been asked to organise appropriate training for their officers. We are also reviewing the use of mobile devices to support this – this will allow officers to report on hazards and other relevant stock data.	In-progress	N/A
2	We recommend that resources are put in place to ensure that stock condition survey data is kept up to date. If all team members visiting homes are involved in validating existing records and updating stock condition data this will give rise to a sense of ownership and increase confidence in the stock condition survey data amongst team members. This needs to be supported by appropriate technology.	Improvement	July 2022	Staffing and expertise in place, Stock condition 5 year rolling programme was presented and approved within the budget challenge. Pilot scheme commencing to ensure key information captured and uploaded to database to deliver accurate Asset Programmes.	In-progress	N/A

Follow-up of Prior year Improvement recommendations (AAR)

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
3	We recommend that a review is carried out to ascertain whether Southwark is achieving value for money from relying on a single contractor for the delivery of its main repairs and maintenance contract. We recommend that the client carries out an annual performance review of the DLO as would be the case for external contractors.	Improvement	July 2022	<p>The Council's Cabinet made a decision to insource internal building repairs to Southwark building services (SBS), part of traded services within the environment & leisure department with effect from October 2018, mutually ending its relationship Mears. At the same time it separately tendered two contracts for roofing works, one for metal works and two for communal repairs; that is, all repairs with a potential recharge to leaseholders. SBS was awarded one of the communal repairs contract areas and another DL within traded services was awarded the metal works.</p> <p>The Cabinet reviewed its decision to insource communal repairs the following year and reconfirmed that the arrangement would continue. In April 2020 SBS was moved into the repairs service within housing and the client and contractor relationship was dissolved. The service is an integral part of housing delivery and there is no client. Instead the service is subject to a rigorous improvement plan which includes a focus on improving productivity, reducing duplication and making it fit for the future and delivering works at a reasonable cost. This plan is not yet complete. The communal repairs element and metal work are subject to annual performance review and communal repairs is being retendered. The repairs service will not be bidding for this work.</p>	Yes	N/A
4	<p>We recommend that consideration is given to our observations in terms of how individual fire risk assessment reports might be improved further:</p> <ul style="list-style-type: none"> • Inclusion of an executive summary containing certain standard information. • Consideration should be given to setting a target FRA rating for each block, the cost and other resources required to increase the rating to target (and intermediate status if applicable) should be identified where possible. • A brief commentary on actions outstanding from previous inspection, by exception. 	Improvement	July 2022	<p>The inclusion of an executive summary containing certain standard information has been designed in the new FRA template.</p> <p>We have moved from a 5x5 building risk rating matrix to 4x4 and intend to move to a 3x3 in 2023. Where any building has a rating at the highest of the current 4 (Substantial) a new process is in place to reduce this via a priority programme of works or consider a change of strategy – whichever is right for the block and the original fire strategy. After moving to a 3x3 we will seek to vary the process to ensure recommendations are included to reduce a building risk rating from high to medium and medium to low on a similar basis.</p> <p>The new template reflects previous tasks and their status and we have reinforced the superseded existing actions within the new template</p>	Yes	N/A

Follow-up of Prior year Improvement recommendations (AAR)

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5	We recommend that an electronic file of consolidated development cashflows from the new PAMWIN system is uploaded to the cashflow module of the finance system on a monthly basis as part of the regular period end routine.	Improvement	July 2022	This recommendation has been implemented in full.	Yes	N/A
6	We recommend that when new build properties are ready to be handed over to housing management to be let, that a process is put in place to ensure that the stock condition survey is updated to include the new units. Individual component lives should be noted, ideally with the current costs of replacement.	Improvement	July 2022	<p>The review of the handover process in currently underway, led by Southwark Construction, and is in consultation with a number of internal stakeholders within the Council and leads within Southwark Construction. One of the main aims is to ensure we have processes in place for when the scheme is at PC and the end of defects period and embed a process to ensure that all relevant stakeholders are aware of the stage the scheme has reached which will then also trigger their own processes.</p> <p>Currently the O&M manuals are managed by the CDM Compliance team who ensures that the document is saved in a consistent format but we also understand from the Building Safety Team that they are reviewing how this information is saved into a Southwark system. The meetings we have booked in the next two weeks with all stakeholders will help clarify this.</p> <p>Asset information is stored within the Apex asset management system which sets costs and life cycle per component and this is routinely refreshed to provide accurate maintenance repair / replacement cycles together with interim maintenance schedules</p>	In-progress	N/A

Follow-up of Prior year Improvement recommendations (AAR)

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
7 We recommend that a high level MTFS projection is included either in the Policy and Resources Strategy paper that accompanies the budget in the February report to Cabinet, or in the Medium Term Financial Strategy document. This should outline the base case financial projection over a 3-5 year horizon and the key funding and cost assumptions. It should also demonstrate how longer term efficiency programmes can contribute to reducing projected deficits in future years. And the extent to which the risk can be mitigated through reserves and other measures.	Improvement	July 2022	This recommendation is still to be implemented .	No	To be addressed for next MTFS
8 The Council should closely monitor progress in delivering a sustainable plan for reducing the DCG deficit.	Improvement	July 2022	Deficit still in place but plan for managing it agreed with central government	Yes	N/A

Follow-up of Prior year Improvement recommendations (AAR)

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
9 The Council should develop sufficient headroom in its savings and efficiency plans to eliminate the need to use reserves to balance the budget and plans to replenish reserves used to balance the budget in 2021/22 and 2022/23 should be implemented with progress to be closely monitored by members.	Improvement	July 2022	This recommendation has been implemented in full.	Yes	N/A
10 The Council should continue to develop its procurement toolkit for managers and in particular develop a way of centrally reporting on value for money gained via its contracts. Via its contracts register	Improvement	July 2022		Yes	N/A

Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

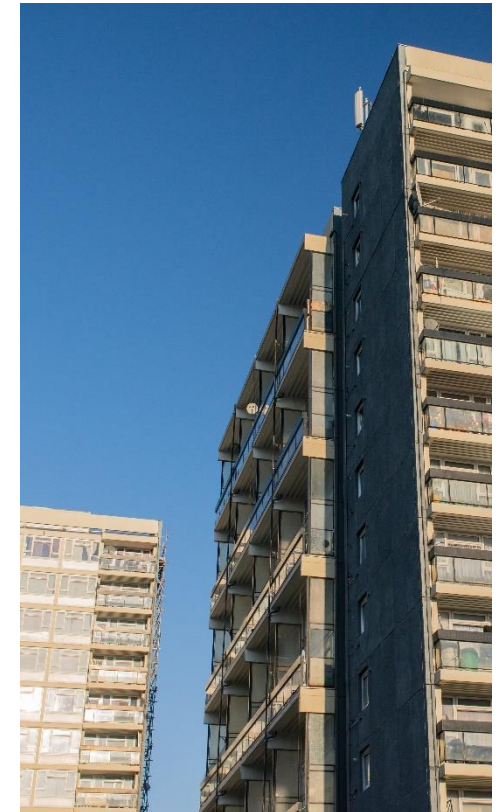
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local Council accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. In our 2021/22 Audit Plan (dated 18 Jul 2022) we did not identify any areas of significant VfM risk at that stage. However, during our fieldwork we did identify a significant weakness in regard to Financial Sustainability, relating to the affordability of the housing capital programme:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability - no significant weaknesses identified	We used our in-house Housing advisory experts to review the key documents and interview key officers to understand the extent of the issues faced by the Council.	We confirmed that weaknesses in the arrangements to manage the housing capital programme gave rise to a Significant Weakness in the Council's arrangements to secure Value for Money.	We have raised 4 key recommendations (see paged 7 and 8 of this report) which the Council must urgently address.
Governance - no significant weaknesses identified	N/A	N/A	N/A
Improving economy, efficiency and effectiveness - no significant weaknesses identified	N/A	N/A	N/A

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	Yes	No Statutory recommendations raised in this report
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	Yes	Pages 7,8,9
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	Pages 17,18,25,26

Appendix D – Sources of evidence



Staff involved

- Duncan Whitfield - Director of Finance/S151 officer
- Tim Jones- Head of Finance
- David Quirke-Thornton – Director of Adult Social Care
- Doreen Forrester-Brown – Monitoring Officer
- Elaine McLeister – Interim Head of Procurement
- Stephen Gaskell- Assistant CEO Strategy and Communities
- Tricia Boahene – Head of Policy, Partnerships and Performance
- Amarjit Uppal – Finance manager



Documents Reviewed

- 1. Southwark_MBC_Draft General Fund Budget 2022-23_Feb_2022
- 2. Southwark_MBC_Appendix A Spend pressures summary_2022-23_Budget_Feb_2022
- 3. Southwark_MBC_Appendix B Draft General Fund Budget 2022-23_Feb_2022
- 4. Southwark_MBC_Budget Report_&-MTFS (p79) and Appendices 16 November 2022
- 5. Southwark_MBC_2021-22 Financial Outturn
- 6. Southwark_MBC_2021-22 Financial Outturn_Appendix A
- 7. Southwark_MBC_Q3 Budget Monitoring 2021-22
- 8. Southwark_MBC_Q3 Budget Monitoring 2021-22_Appendix_A
- 9. Southwark_MBC_Q3 Budget Monitoring 2021-22 Consolidated Appendices Q3 V2
- 10. Southwark_MBC_Appendix 8 - Treasury Management Report 2021-22
- 11. Southwark_Corporate_Plan_2021_Final
- 12. Southwark_MBC_Performance Framework_Q1_2022-23
- 13. Performance Management Framework for the Council_April_2022
- 14. PMF_Appendix 1-3 Organisational Health Customer Experience and Finance Contracts Measures
- 15. Southwark MBC VfM Governance Review Follow Final for issue 021222
- 16. Southwark MBC Governance Review - FINAL 031221 for client issue
- 17. Southwark_MBC_Performance Management Framework - Q2_2022-23_ Monitoring



Documents Reviewed (continued)

- 18. Southwark_MBC_Strategic Risk Register Update Report_June_2022_ARAC
- 19. Southwark_MBC_Appendix 1 Strategic risk register summary as at June 2022
- 20. Southwark_MBC_TMSS Mid Year Review 2022-23 Cabinet 18.01.2023
- 21. Southwark_MBC_TMSS Mid Year Review 2022-23 Cabinet (Appendix A)
- 22. Southwark_MBC_TMSS Mid Year Review 2022-23 Cabinet (Appendix B)
- 23. Southwark_MBC_TMSS Mid Year Review 2022-23 Cabinet (Appendix C)
- 24. Southwark MBC - CIPFA FM Model Review Follow Up Review - Final Report Jan 23
- 25. SMBC Workforce Strategy - outline for LT 24.01.23
- 26. Statement_of_Accounts_2020_21___Draft
- 27. Part Officers Code of Conduct Officers Gifts and Hospitality revised 2018
- 28. Procurement - follow up documentation.zip
- 29. Elected Members Training Session – Fraud
- 30. Appendix A - School Fraud Awareness Bulletin
- 31. Cabinet Meetings Minutes
- 32. Council Cabinet Report- Insourcing of Leisure Services
- 33. Leisure Service Governance Structure
- 34. List of Investment Properties
- 35. Audit Team Comments
- 36. Statement of Accounts- Formal Objection

Item No. 13.	Classification: Open	Date: 5 February 2024	Meeting Name: Audit, Governance and Standards Committee
Report title:		Informing the audit risk assessment for London Borough of Southwark and Pension Fund 2022/23 and External audit plan for the Southwark Pension Fund 2022/23	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance	

RECOMMENDATION

1. That the audit, governance and standards committee note the audit risk assessment for London Borough of Southwark and Pension Fund 2022/23 report, as attached at Appendix A.
2. That the audit, governance and standards Committee note the external audit plan for 2022-23 for Southwark pension fund, as attached at Appendix B

BACKGROUND INFORMATION

3. The purpose of the report at Appendix A is to contribute towards the effective two-way communication between London Borough of Southwark Council's external auditors and audit, governance and standards committee ('AGS', as 'those charged with governance'. The report at covers some important areas of the auditor risk assessment where the auditors are required to make inquiries of the committee under auditing standards.
4. The purpose of the report at Appendix B is to provide an audit progress report and an overview of the planned scope and timing of the statutory audit of Southwark pension fund for those charged with governance.

Policy implications

5. The reports are not considered to have direct policy implications

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

Community impact statement

6. This reports 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

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Consultation

11. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

12. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Department of Finance files	Finance Department, Second Floor, Tooley Street	Amarjit Uppal 0207 525 4578

APPENDICES

No.	Title
Appendix A	Informing the audit risk assessment for London Borough of Southwark and Pension Fund 2022/23
Appendix B	External Audit Plan - London Borough of Southwark Pension Fund 2022-23

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Joanne Brown, Nick Haliwell Grant Thornton UK LLP	
Version	Final	
Dated	24 January 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Assistant Chief Executive Governance & Assurance	N/A	N/A
Strategic Director of Finance	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team	25 January 2024	

Informing the audit risk assessment for London Borough of Southwark and Pension Fund 2022/23

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

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between London Borough of Southwark and Pension Fund's external auditors and Audit, Governance and Standards ('AGS') committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the AGS Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the AGS Committee . ISA(UK) emphasise the importance of two-way communication between the auditor and the AGS Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the AGS Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the AGS Committee and supports the AGS Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures, we are required to obtain an understanding of management processes and the Council and Pension Fund oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from London Borough of Southwark Council ('the Council') and Pension Fund's management. The AGS Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?	There are no key events or issues that will have a significant impact on the 2022/23 financial statement
2. Have you considered the appropriateness of the accounting policies adopted by the Council and Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	The accounting policies are reviewed for their appropriateness for both the council's and Pension Fund on an annual basis and have been for the 2022-23 final accounts. No.
3. Is there any use of financial instruments, including derivatives? If so, please explain	Council accounts There are no new financial instruments and no derivatives. Please refer to in notes 39, 40 and 41 for the classes of financial instruments used. This note will be updated for the pos Pension Fund Investment balances are set out in the Pension Fund accounts and this may include some incidental use of derivatives related to forward currency contracts.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	There were no significant transactions outside our normal course of business

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by Council and Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>Most legal work for the council is dealt with by the in house team. Where the in house team does not have capacity or specialist external expertise is required an external firm may be engaged either directly by officers in the relevant council department or by the council's in house team through a solicitors framework agreement.</p> <p>The pension fund investments team utilises solicitors to provide legal advice on the on boarding of new investments. This includes advising on legal documentation and the investment on boarding process. Pinsent Masons are employed by the Fund under the National LGPS Framework for Legal Services.</p> <p>There is no work being done on open litigation or contingencies from prior years.</p>

General Enquiries of Management

Question	Management response
<p>9. Have any of the Council and Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details</p>	<p>The Council and Pension Fund , in common with many other local authorities, did not achieve the publication of the statement of accounts by the statutory deadlines</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>The pension fund has a six year contract with Aon for the provision of investment advisory services. We also employ an independent advisor. They provide advice to officers and the pensions advisory panel, on areas such as the appointment and monitoring of external investment management services, and support the Fund in ensuring ongoing compliance with LGPS regulations.</p>
<p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p>	<p>Yes</p>

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Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the AGS Committee and management. Management, with the oversight of the AGS Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the AGS Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As London Borough of Southwark Council and Pension Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the AGS Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the AGS Committee oversees the above processes. We are also required to make inquiries of both management and the AGS Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses London Borough of Southwark Council and Pension Fund's management.

Fraud risk assessment

Question	Management response
<p>Has London Borough of Southwark Council and Pension Fund assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the London Borough of Southwark Council and Pension Fund risk management processes link to financial reporting?</p>	<p>a) Yes, the risk of material misstatement has been assessed.</p> <p>b) Yes, please refer to risk register supplied as part of the planning audit visit.</p> <p>c) Risk assessment covers the whole council which includes financial reporting.</p> <p>Regular updates to Audit, Governance and Standards committee.</p> <p>The council is required to manage its affairs to secure the economic, efficient and effective use of resources as reported in its financial statements and to safeguard its assets. It has appointed the strategic director of finance as the officer responsible for proper administration of its financial affairs (the S.151 officer).</p> <p>As part of his responsibilities, he is required to prepare the statement of accounts and in order to do this, he has taken reasonable and appropriate steps to prevent, detect and mitigate the risk of fraud. Assessment of this risk is therefore considered as part of the overall internal audit and anti-fraud proactive planning processes.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Fraud risk assessments are undertaken by the anti-fraud team supported by internal audit (BDO). These risks are considered as part of the internal audit and anti-fraud proactive planning processes and discussed with management.</p> <p>Management are ultimately responsible for managing the risks, but internal audit consider the control environment and provide challenge where appropriate.</p> <p>Significant control weaknesses, or those which remain unaddressed would be reported to the Audit, Governance and Standards (AGS) committee via the internal audit and anti fraud progress reports.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within London Borough of Southwark Council and Pension Fund as a whole, or within specific departments since 1 April 2022? If so, please provide details.</p>	<p><u>Internal Audit</u></p> <p>As in other years. Internal audit has identified various control weakness and compliance issues as part of their audit engagements. These have been reported to the Audit, Governance and Standards committee (AGS) and recommendations are routinely followed up to address issues identified.</p>

Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Regular reports on risk issues (including anti-fraud) are communicated to Audit, Governance and Standards committee (AGS).</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within London Borough of Southwark Council and Pension Fund where fraud is more likely to occur?</p>	<p><u>Internal Audit</u> Internal audit considers the risk of fraud routinely when scoping individual audits, and the risks covered reflect this as and when appropriate. Recent audit areas where risk of fraud is inherent in the system would include for example procurement, payments processes and direct payments. Specific concerns of fraud being evident have not be identified in recent audits.</p> <p>National Fraud Initiative data matching exercises look for anomalies within the Council and Pension Fund activities.</p>
<p>6. What processes do London Borough of Southwark Council and Pension Fund have in place to identify and respond to risks of fraud?</p>	<p>The annual internal audit plan and anti-fraud proactive plan are reported to the AGS committee, highlighting potential areas of risk. The internal audit progress reports also identify any control weaknesses. The progress report also includes outcomes from fraud investigations. The AGS committee also receive an annual report on whistle blowing outcomes, and the format of these reports has been reviewed against other local authority reporting to provide more information to the committee</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for London Borough of Southwark Council and Pension Fund including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p><u>Internal Audit</u></p> <p>As one source of assurance on the control environment, individual audits completed routinely consider both the adequacy of the design of the framework of internal audit control and the operational effectiveness of the controls in place. This routinely considers segregation of duties of e.g. preparation, approval and input, alongside IT systems access.</p> <p>All internal audit reports provide two opinions for the design and effectiveness of the control framework, and this information along with the significance and number of recommendations made feeds into the annual head of internal audit opinion and assurance statement.</p> <p>Where internal controls are found not to be in place or not working effectively, the council agreed action to address the issues found and recommendations made. All actions have a named 'responsible officer' and agreed timeframe for implementation.</p> <p>Internal audit follows up and reports to senior management and the Audit, Governance and Standards committee on the implementation rates and recommendations outstanding as part of its routine progress report.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p><u>Internal Audit</u></p> <p>As in any large organisation, the fact that responsibilities are delegated down requires the need for strong review and oversight of what is reported. Generally we have found that reporting is accurate and based upon evidence</p>

Fraud risk assessment

Question	Management response
<p>9. How does London Borough of Southwark Council and Pension Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The council has an induction programme, and a fraud and bribery response plan. Information and relevant documents are communicated via the intranet site and the council also offers training and awareness on anti-fraud which includes ethical behaviour. The staff code of conduct requires reporting of gifts and hospitality. Staff and any external advisors involved in procurements are also required to complete declarations of interest. The process of declaring interests has been subject to a recent audit review and recommendations arising will be implemented. The council's rules on gifts and hospitality are set out in the code of conduct, and relevant staff (including those involved in contracting) complete a declaration of interests. The Fairer Future Procurement Strategy and other council policies have encouraged ethical behaviour by contractors in areas such as the London Living Wage, anti-blacklisting and tax compliance. The Investment Strategy Statement for the Pension Fund stipulates that the Fund will seek to engage with and vote company shareholdings in accordance with high ethical standards. The council continues to maintain a high profile anti-fraud stance and to vigorously pursue those who attempt to defraud the council of the public funds which it administers. Once investigations have been completed, they are reported to the AGS committee. Any significant issues will be subject to an internal audit and the findings reported to the AGS committee. Where appropriate the council will publicise anti-fraud prosecutions.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Identification of high-risk posts – officers with ability to authorise payments and receive income are potential risk areas for consideration.</p> <p>The scheme of delegation and segregation of duties, dual authorities for authorised signatories are reviewed on a proactive planning basis by the anti-fraud team.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p>	<p>No. Declarations of interest requested at committee meetings for councillors would identify any related party transactions. Formal disclosure of related parties through the statement of accounts annual work.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the AGS Committee?</p> <p>How does the AGS Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p><u>Internal Audit</u></p> <p>A separate anti-fraud progress report is presented to every AGS Committee. This includes a summary of the results of all internal audit work completed (finalised) since the previous meeting. The minutes of these meetings record actions arising (e.g. follow up work by management) are available on the Council's website</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>The council has a whistleblowing policy, which encourages staff and other concerned parties to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment. There are a small number of whistleblowing complaints each year and one led to a joint operation with the police. This has been advised to GT Director Ciaran McLaughlin who confirmed from an audit perspective that their responsibilities in relation to the matter had been appropriately discharged.</p> <p>There is an annual report to Audit, Governance and Standards Committee</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>None</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the AGS Committee, is responsible for ensuring that London Borough of Southwark Council and Pension Fund's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and AGS Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does London Borough of Southwark Council and Pension Fund have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the London Borough of Southwark Council and Pension Fund regulatory environment that may have a significant impact on the London Borough of Southwark Council and Pension Fund financial statements?</p>	<p>The Council's constitution sets the legal framework for council business, including standing orders, financial regulations, schemes of delegation etc. The constitution is reviewed annually.</p> <ul style="list-style-type: none"> • Attendance of S151 Officer and Monitoring Officer at Council meetings. • Reports to Full Council/Cabinet/Committees have legal implications considered by appropriate lawyers. • Liaison between lawyers and officers when considering decisions with possible legal implications. • The commissioning of internal audits. External reviews from external auditors, and other regulatory organisations. • Reference to the council's Risk Register <p>Ongoing external advice is received on all aspects of compliance with The Pensions Regulator's codes of practice, and LGPS regulations. Changes in regulatory requirements, along with the action being taken to comply, are tabled at Local Pension Board meetings. The Local Pension Board provides a scrutiny function in ensuring full compliance.</p> <p>The Local Pension Board commissioned an independent review of compliance with The Pensions Regulator's codes of practice. An action plan was agreed to ensure full compliance and progress on implementation was reported back to the Board until completed.</p> <p>No.</p>
<p>2. How is the AGS Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<ul style="list-style-type: none"> • Annual Governance Statement provides assurance through the annual review process. • Further assurance is provided through internal and external audit work. • S151 Officer and Monitoring Officer attend Audit, Governance and Standards Committee. • All strategic directors are required to attend AGS committee to discuss and to be held accountable governance within their service areas.

Impact of laws and regulations

Question	Management response
<p>5. What arrangements does London Borough of Southwark Council and Pension Fund have in place to identify, evaluate and account for litigation or claims?</p>	<p>Liaison between relevant Services and lawyers. Legal have input in all Cabinet / Council Assembly reports.</p> <p>Legal maintain an Exception Risk Register where they record, monitor and review any litigation or cases which are of significant financial risk to the council, an appeal to the Supreme Court or could lead to damage to the reputation of the Council.</p> <p>The legal department has a risk management procedure in its office procedure manual to identify and monitor risk in relation to legal cases. The exceptional risk register is reviewed quarterly by the Senior Management Team in Law and Governance</p>
<p>6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details</p>	<p>No</p>

Related Parties

Matters in relation to Related Parties

London Borough of Southwark Council and Pension Fund are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by London Borough of Southwark Council and Pension Fund:
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the London Borough of Southwark Council and Pension Fund
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the London Borough of Southwark Council and Pension Fund, or of any body that is a related party of the London Borough of Southwark Council and Pension Fund

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the London Borough of Southwark Council and Pension Fund must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in London Borough of Southwark Council and Pension Fund's 2021/22 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and London Borough of Southwark Council and Pension Fund whether London Borough of Southwark Council and Pension Fund has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	No
<p>2. What controls does London Borough of Southwark Council and Pension Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> Maintenance of a register of interests for Members requiring disclosure of related party transactions. Annual return from the chief officer team requiring confirmation that they have read and understood the declaration requirements and stating details of any known related party interests.
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	Not applicable.
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	Not applicable.

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by London Borough of Southwark Council and Pension Fund will no longer continue?</p>	<p>Annual medium term financial forecasting, in year budget monitoring and year end reporting processes support the identification of continuation or discontinuation of statutory services.</p> <p>Monitoring of the council's usable reserves and cashflow forecasting</p> <p>A triennial actuarial valuation is conducted by the Fund's actuaries to ensure that there are sufficient funds available to cover accrued future pensions obligations. Where there is a shortfall, action is taken to increase contributions into the Fund to restore full funding. Between valuations, quarterly funding updates are produced by the Fund's actuaries and tabled at Pensions Advisory Panel meetings.</p> <p>A cash policy has been implemented to ensure the Fund has adequate liquid assets available to fund commitments as they fall due. This includes a detailed cash forecast being maintained which assists in decision making on the types of investment assets the Fund invests in, maintaining adequate levels of liquidity.</p>
<p>2. Are management aware of any factors which may mean for London Borough of Southwark Council and Pension Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>No</p>
<p>3. With regard to the statutory services currently provided by London Borough of Southwark Council and Pension Fund does London Borough of Southwark</p>	<p>No</p>

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	None currently
2. How does the London Borough of Southwark Council and Pension Fund risk management process identify and address risks relating to accounting estimates?	Risk register identifies key risks.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Professionally qualified staff such as RICS are employed to identify methods and assumptions which are based on a fresh look at 2021-22 in addition to historical reviews.
4. How do management review the outcomes of previous accounting estimates?	Review previous years un/audited accounts.
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	None for 2022-23

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Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>For the Pension Fund, Aon Hewitt is an external advisor. For the council no external advisors apart from CIPFA and adhoc interim consultant use.</p>
<p>7. How does the London Borough of Southwark Council and Pension Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Please refer to responses to the GT letter dated 21 September 2023, covering detailed subject responses.</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>Please refer to responses to the GT letter dated 21 September 2023, covering detailed subject responses.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>Please refer to responses to the GT letter dated 21 September 2023, covering detailed subject responses.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>Please refer to responses to the GT letter dated 21 September 2023, covering detailed subject responses.</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>Please refer to responses to the GT letter dated 21 September 2023, covering detailed subject responses.</p>
<p>12. How is the AGS Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>Please refer to responses to the GT letter dated 21 September 2023, covering detailed subject responses.</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Refer to detailed valuation reports	Review of inputs and outputs	In-house RICS qualified	Refer to detailed valuation reports	No
Council dwelling valuations	Refer to detailed valuation reports	Review of inputs and outputs	In-house RICS qualified	Refer to detailed valuation reports	No
Investment property valuations	Refer to detailed valuation reports	Review of inputs and outputs	In-house RICS qualified	Refer to detailed valuation reports	No
Depreciation	RAM calculates depreciation based on asset lives and opening fixed asset register balances	Review of inputs and outputs	No	No change in assumptions.	No

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	Actuarial models and assumptions provided by Aon Hewitt	Review of estimates and assumptions provided by actuary based on local knowledge and expertise.	Yes	See assumptions paper produced with valuation report	No
Level 2 investments	As provided by valuers	Review and challenge of advice and reports received.	Yes	Based on observable data	No
Level 3 investments	Advice and assumptions by valuers	Review and challenge of advice and reports.	Yes	Review of sensitivity	No
Fair value estimates	As provided by Treasury Adviser	Review and challenge of advice and reports.	Yes	Low level of uncertainty	No

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates
NNDR appeals provisions	Council NDR provisions forecast model	Review of inputs and outputs	No	Consideration of increasing provision for check, challenges and appeals
Significant accruals(i.e., Annual Leave accruals)	Accruals method	Review of inputs and outputs	No	Accuracy of data source is SAP and employee data entry / record keeping
Credit loss and impairment allowances	Service credit loss and impairment allowances methodologies may be service specific	Review of inputs and outputs	No	Service credit loss and impairment allowances methodologies may be service specific

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Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
PFI Liabilities	PFI Models	Annual review	The original models were produced by experts	Standard model and assumptions	No



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Item No. 14.	Classification: Open	Date: 5 February 2024	Meeting Name: Audit, governance and standards committee
Report title:		Internal audit plan and strategy for internal audit charter	
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 details the internal audit plan and strategy for internal audit charter for London Borough of Southwark.

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 plan and strategy for internal audit charter

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Aaron Winter, Angela Mason-Bell; BDO	
Version	Final	
Dated	19 January 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Assistant Chief Executive, Governance and Assurance	No	N/A
Strategic Director of Finance	No	N/A
Cabinet Member	No	No
Date final report sent to Constitutional Team	19 January 2024	



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INTERNAL AUDIT ANNUAL PLAN

LONDON BOROUGH OF SOUTHWARK

2024/25

For discussion at Audit, Governance and Standards Committee - 5 February 2024



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1. INTERNAL AUDIT RISK ASSESSMENT

Background

BDO LLP are the appointed internal auditors to the London Borough of Southwark (the Council), to provide the Council with assurance on the adequacy of internal control, risk management and governance arrangements. Our role at the Council will also be aimed at helping management to improve these arrangements to help reduce the effects of any significant risks.

We report to the Council's Strategic Director of Finance (and Section 151 officer) on an operational basis. The Engagement Director, Aaron Winter, is the Council's Chief Audit Executive.

Our risk-based approach to internal audit uses the Council's own risk management process and risk register as a starting point for audit planning as this represents the Council's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects the Council's current risk profile.

Planned approach to internal audit 2024-25

The indicative Internal Audit programme for 2024-25 is set out on pages 12 to 26.

In developing the plan, we have:

- Used the previous three-year strategic plan to consider areas previously agreed for inclusion in 2024-25
- Rolled forward audits from 2023-24, which were deferred through appropriate agreement
- Reviewed the corporate risk register, as of December 2023
- Considered the fairer, greener, safer Southwark Council Delivery Plan 2022 - 2026, agreed by Cabinet in September 2022
- Met with the Chief Executive, Strategic Director of Finance and attended meetings of the departmental senior management teams
- Considered emergent risks in the local government and the wider public sector, including discussions with colleagues at the London Audit Group.

The plan was circulated to the Corporate Management Team for comments on 23 January 2024, prior to presentation to the Audit, Governance and Standards Committee for formal review and approval on 5 February 2024.

We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.

The plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks would be looked at over a three to five-year audit cycle. The plan is revisited at a six-month point during the year to ensure it remains appropriate.

We have suggested future areas of focus as part of the strategic internal audit plan, set out on pages 27 to 41. The tables on these pages also include audits completed in the previous three years, for reference.

Individual audits

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard considering the control environment identified within the Council. Where revisions are required, we will obtain approval from the appropriate Director and Strategic Director prior to commencing fieldwork.

In determining the timing of our individual audits, we will seek to agree a date which is convenient to the Council, and which ensures availability of key management and staff and takes account of any operational pressures being experienced.

Variations to the Plan

We review the strategic plan each year to ensure we remain aware of your ongoing risks and opportunities. Over the coming pages we have mapped your key risks along with the audit work we propose to undertake, demonstrating we are focussing on your most important issues.

As such, our strategic audit programme follows the risks identified during our planning processes and confirmed via discussions with the departmental management teams and Corporate Management Team. If these were to change, or emerging risks were to develop during this period, we would take stock and evaluate our coverage accordingly.

2. OUR NEXT GEN INTERNAL AUDIT APPROACH

Our innovative Next Gen approach to internal audit ensures you maximise the potential added value from BDO as your internal audit provider and the expertise we bring from our dedicated Public Sector Internal Audit team and wider BDO specialist teams.

The Next Gen approach has allowed us to move away from the traditional approach of compliance auditing, transitioning in to delivering a healthy mix of assurance that is forward looking, flexible and responsive and undertaken in partnership with yourselves. The key components to this approach are outlined below and underpin our proposed plan coverage:

Core assurance

Reviews of fundamental finance and operational systems to provide assurance that core controls and procedures are operating as intended.

Soft controls

Reviews seek to understand the true purpose behind control deficiencies and provide a route map to enhance their effectiveness.

Future focused assurance

Rather than wait for implementation and then comment on identified weaknesses, we will work with you in an upfront / real time way.

Flexible audit resource

Undertake proactive work across the Council, perhaps in preparation for regulatory reviews or change management programmes.



3. MAPPING THE COUNCIL’S TOP CORPORATE RISKS TO THE INTERNAL AUDIT PLAN

Where there are direct links between audits within the internal audit work programme and the Corporate Risk Register, these are included in the table below. Where there are other reasons for inclusion of audits, these are recorded in in the 2024-25 operational plan, including for example references to directorate risk registers, management requests and new projects or statutory requirements.

No.	CRR Ref. (and score)	Strategic Risks from the Council’s Corporate Risk Register (December 2023)	2023-24 (for reference)	2024-25	2025-26 (indicative plan)
1	CR0020 (96 - High)	<p>Medium Term Financial Planning</p> <p>The continued uncertainty regarding local government funding beyond 2023-24, which is exacerbated by both the changes in the government’s fiscal policy and potentially changes to population figures following the 2021 census. The outcome of the census carried out at the height of the covid crisis creates a under estimated population size impacting on external funding, including government grants based on an artificially low base compromising the availability of resources to deliver existing council services. These are likely to have a significant impact on overall council funding levels which will present challenges in balancing the medium term financial strategy and in preparing and presenting longer term budgets.</p>	<ul style="list-style-type: none"> Budgetary monitoring and reporting 	<ul style="list-style-type: none"> Financial planning Treasury management 	<ul style="list-style-type: none"> Capital programme management
2	CR0021 (96 - High)	<p>Legal and Regulatory - Government policy</p> <p>Legislative and / or financial changes, including current and future loss of funding or international factors stemming from changes in government policy,</p>	-	<ul style="list-style-type: none"> Financial planning Southwark 2030 and strategic planning 	-

NB: Financial planning and budget management will be considered in service / operational reviews where appropriate.

No.	CRR Ref. (and score)	Strategic Risks from the Council's Corporate Risk Register (December 2023)	2023-24 (for reference)	2024-25	2025-26 (indicative plan)
		seriously impact on the delivery of balanced budgets for council services and the council's ability to meet either the pressures created by changes in demand for services or the opportunities due to lack of capacity.	<i>NB: Policy changes will be considered as part of individual service reviews where appropriate.</i>		
3	CR0022 (96 - High)	<p>Acute Socio-Economic Factors</p> <p>Failure or lack of capacity to react to wider economic and socio-economic trends including changes to central government fiscal policy, inflation and interest rate changes, recession, changes in numbers of homeless, market forces (e.g., London housing market), international and domestic migration; all of which threaten to create either funding shortfalls or compromise the delivery of council services.</p> <p>The current levels of high inflation causing global supply chain disruption (increases in production costs, wages, raw materials, energy, transportation, labour) leads to complex procurement issues particularly in the construction and maintenance sectors such as significant increases in tender prices, lack of contractors suitably qualified and experienced to be appointed within the available budget, or lack of appetite from bidders limits the council's ability to meet targets or complete projects.</p>	<ul style="list-style-type: none"> • Council delivery plan • Housing Revenue Account 	<ul style="list-style-type: none"> • Financial planning • Southwark 2030 and strategic planning • Transformation programme and change management 	<ul style="list-style-type: none"> • Capital programme management • Fairer Future Procurement Framework
4	CR0025 (96 - High)	<p>Cyber Security, IT, Data, and Information Management</p> <p>Total or partial loss of significant core business systems, inadequate data security and the system becoming unfit to meet business needs results in impaired service delivery and performance and impacts on resident satisfaction impacting on the</p>	<ul style="list-style-type: none"> • IT audits • Records management 	<ul style="list-style-type: none"> • IT audits • Information requests 	<ul style="list-style-type: none"> • IT audits

No.	CRR Ref. (and score)	Strategic Risks from the Council's Corporate Risk Register (December 2023)	2023-24 (for reference)	2024-25	2025-26 (indicative plan)
		reputation of the council and staff productivity and morale.			
5	CR0026 (96 - High)	Unforeseen Major Event An unforeseen major event occurs which affects critical services and the council's ability to deliver business as usual resulting in financial strain and impacts on the resilience and wellbeing of staff.	-	<ul style="list-style-type: none"> Emergency planning and resilience, and business continuity 	-
6	CR0027 (96 - High)	Climate Emergency Impact of the climate change strategy creates capacity, financial or practical operational challenges and pressures with the potential for reputational damage for any failure in delivery.	-	<ul style="list-style-type: none"> Climate emergency 	-
7	CR0028 (96 - High)	Fraud Process, control, or management failure particularly during periods of significant change, economic and social hardship and ongoing funding reductions leads to an increase in fraudulent activity resulting in financial and legislative consequences for the council and the potential for reputational damage.	<ul style="list-style-type: none"> Contract management 	<ul style="list-style-type: none"> Bribery and corruption 	<ul style="list-style-type: none"> Fraud protocols and fraud risk management Insurance Fairer Future Procurement Framework
			<i>NB: Risk of fraud considered routinely as part of scoping internal audit reviews</i>		
8	CR0029 (88 - High)	Health and Safety Failure to provide adequate provision of protection of staff, elected members, residents and all relevant stakeholders leading to their safety and / or mental health and wellbeing being compromised.	<ul style="list-style-type: none"> Building safety Health and wellbeing strategy Tree management service 	<ul style="list-style-type: none"> Substance misuse 	<ul style="list-style-type: none"> Children and young people health

No.	CRR Ref. (and score)	Strategic Risks from the Council's Corporate Risk Register (December 2023)	2023-24 (for reference)	2024-25	2025-26 (indicative plan)
9	CR0030 (88 - High)	<p>Failure of Key Provider</p> <p>The unexpected failure or non-contractual compliance of a key existing or future provider / partner / contractor resulting in serious disruption to a critical service and potential increased expenditure and need for resources to provide an alternative solution with resulting potential reputational damage.</p>	-	<ul style="list-style-type: none"> Contract management Social care contract management Waste management contract / PFI 	<ul style="list-style-type: none"> Fairer Future Procurement Framework
			<i>NB: Risk of provider failure will be considered within specific service reviews as appropriate.</i>		
10	CR0031 (99 - High)	<p>Asset Management and Building Safety</p> <p>Failure to invest appropriately in the maintenance or management of the council's assets, to have clear sight of responsibility for assets plus failing to implement the requirements of the Building Safety Bill, or a sudden and unforeseen event which may give rise to unacceptable future liabilities and additional budget pressures, reputational damage, and potential legislative consequences.</p>	<ul style="list-style-type: none"> Housing adaptations Major regeneration Statutory disrepairs 	<ul style="list-style-type: none"> Apex asset management system Social housing regulations - major buildings Social housing regulations - compliance 	<ul style="list-style-type: none"> Commercial property portfolio Voids My Southwark homeowners agency
11	CR0034 (96 - High)	<p>Cost of Living</p> <p>Impact of cost of living crisis following directly after the Covid-19 pandemic and post pandemic recovery. This will continue to add a strain on the welfare benefits systems and increase demand for council services such as social care and health, welfare and emergency support and temporary accommodation.</p> <p>The return to higher levels of inflation, the unpredictability and specific incidences of high inflation rates (eg building and energy costs) create revenue and/or capital budget gaps when compared to</p>	<ul style="list-style-type: none"> Budget monitoring and reporting Cost of living fund Integrated care board governance and partnership working 	<ul style="list-style-type: none"> Southwark 2030 and strategic planning Financial planning 	-

No.	CRR Ref. (and score)	Strategic Risks from the Council's Corporate Risk Register (December 2023)	2023-24 (for reference)	2024-25	2025-26 (indicative plan)
		the level of resources available, creating conflict within the council budget structure There is a risk that the necessary resources required to support business and residents from the adverse impact of rising costs are not available from government and this will impact adversely on the funding of other council services and create budget gaps.			
12	CR0035 (82 - High)	Schools and Education Existing significant school budget overspend and/or deficit balances coupled with the challenge of rising numbers of surplus places in primary schools creates pressure on school budgets and ultimately council budgets plus other direct consequences as savings are identified to try and achieve a balanced position.	<ul style="list-style-type: none"> • School internal audit programme 	<ul style="list-style-type: none"> • School internal audit programme 	<ul style="list-style-type: none"> • School internal audit programme
13	CR0036 (88 - High)	Capital Programme and Major Projects Unforeseen events and/or changes in the macroeconomic outlook results in cost changes to the council's capital programmes which will risk failure of (or the serious delay to) key capital projects including building new homes causing damage to the council's ability to meet the borough's long term priorities and resulting in short term financing or funding implications for the council.	-	<ul style="list-style-type: none"> • Treasury management 	<ul style="list-style-type: none"> • Capital programme expenditure management
14	CR0037 (93 - High)	Health and Social Care Act Failure to ensure opportunities for further integration of health and social care system are maximised as result of Health and Care Act 2022 while protecting existing revenue sources.	<ul style="list-style-type: none"> • Partnership governance and integration of services • Commissioning of services 	<ul style="list-style-type: none"> • Financial planning • Social care contract management arrangements • Waiting lists 	-

No.	CRR Ref. (and score)	Strategic Risks from the Council's Corporate Risk Register (December 2023)	2023-24 (for reference)	2024-25	2025-26 (indicative plan)
15	CR0038 (88 - High)	<p>Recruitment, Retention, Resources and Capacity</p> <p>A shortage of appropriately skilled and experienced staff compromises the ability of the council to deliver services and key priorities creating increased pressure on existing staff which may result in low morale, increased stress and sickness levels and an impact in performance across all departments.</p>	<ul style="list-style-type: none"> • Staff recruitment and vetting 	<ul style="list-style-type: none"> • Workforce governance 	<ul style="list-style-type: none"> • Culture maturity • Equality, diversity, and inclusion

4. INTERNAL AUDIT OPERATIONAL PLAN 2024-25

Plan Ref.	Area	Type of Review	Audit Sponsor	Days	Indicative Timing	Outline Scope of the Review	Reason for Inclusion
Children and Adult Services Directorate							
CAS02	Client finances and appointeeships	Core	Director of Adult Social Care	15	Q3	Assurance on the adequacy and effectiveness of the management of clients finances where the Council acts as appointee, including approvals, records maintained on use of clients' monies and possessions.	Statutory requirement Cyclical review
CAS14	Waiting lists	Core	Director of Adult Social Care	15	Q1	A high level review of the how well the Council engages with and manages waiting lists.	Management request An area within CQC inspection enquiries.
CAS21	Payments to children and families	Core	Director of Children and Families	15	Q1	Assurance over the adequacy and effectiveness of the controls for monies paid to children and families under S17 of the Childrens Act 1989, including authorisation, records management, and reconciliation.	Statutory requirement Cyclical review
CAS22	Supported families grant claims	Core	Director of Children and Families	20	Quarterly	Confirmation for a sample of 10% of claims to confirm eligibility under the Council's supporting families' outcomes plan.	Requirement set by the Department for Levelling Up, Housing and Communities.

Plan Ref.	Area	Type of Review	Audit Sponsor	Days	Indicative Timing	Outline Scope of the Review	Reason for Inclusion
CAS24	Foster carers	Core	Director of Children and Families	15	Q2	Assurance on the appointment and payment of foster carers and how the Council ensures that foster carers meet the Council's initial and ongoing requirements.	Cyclical review
CAS47	Traded services	Future	Director of Children and Families	20	Q3	A review of the Education traded services models adopted by the Council to confirm that they are appropriate to recover the costs incurred.	Cyclical review.
CAS54	Substance misuse	Core	Director of Public Health	15	Q1	A review of the Council's delivery against its substance misuse policies relating to drug and alcohol abuse.	A public health priority, aligned to the national goals of improving health and social outcomes, reducing crime, and reducing the harm caused by drug and alcohol use to the individual and the community.
SCH01	School assurance programme	Core	Director of Children and Families	130	Spring, Summer Autumn terms	Assurance on the Council's maintained schools' governance and financial systems and controls, including budget management, deficit recovery plans, procurement and purchases, payroll, and income. All schools are subject to	Corporate risk CR0035 Directorate risk CAS0061 (medium low)

Plan Ref.	Area	Type of Review	Audit Sponsor	Days	Indicative Timing	Outline Scope of the Review	Reason for Inclusion
						an internal audit at least once in every four years, the nature of the audit is determined in discussion with the Director of Education, as well as Finance and School Improvement teams.	
Total - Children and Adults Directorate				245	days		
Environment, Neighbourhoods and Growth Directorate							
ENG01	Highways maintenance	Core	Director of Environment	15	Q3	Assurance over the contract management arrangements in place and the monitoring and checking of data provided to facilitate the performance indicators and payments on the contract.	Statutory duty. Cyclical audit.
ENG03	Enforcement	Core	Director of Environment	15	Q1	To review the adequacy of procedures and controls with regards to joint enforcement with the police, including clarity of roles and responsibilities and record keeping, plus fixed penalty notices and receipt of fines and escalation procedures where these are not paid.	Cyclical audit. Income source.
ENG08	Pest control	Core	Director of Environment	15	Q2	Assurance over the adequacy and effectiveness of the contract management arrangements, delivery	Cyclical audit

Plan Ref.	Area	Type of Review	Audit Sponsor	Days	Indicative Timing	Outline Scope of the Review	Reason for Inclusion
						against KPIs and the extent to which income generated is meeting the Council's expectations.	
ENG09	Street lighting and signs	Core	Director of Environment	15	Q4	Assurance over the adequacy and effectiveness of the controls that ensure the boroughs and signs are maintained to expected standards, and that KPIs, including quality metrics, are met with regards to repairs and maintenance.	Cyclical audit
ENG13	Waste contract / PFI	Core	Director of Environment	20	Q2	Assurance over the adequacy and effectiveness of the contract, delivery against KPIs and financial management arrangements on the waste management contract and PFI.	Cyclical audit
ENG25	Youth and play service	Core	Director of Leisure	20	Q3	Assurance over the adequacy and effectiveness of the governance, risk management and financial controls relating to the youth and play service.	Cyclical audit
ENG48	Streets for people strategy	Future	Director of Environment	15	Q2	A review of how the strategy is being implemented across the Council, integration into existing and new plans, plus the governance, monitoring, and progress reporting arrangements.	New strategy

Plan Ref.	Area	Type of Review	Audit Sponsor	Days	Indicative Timing	Outline Scope of the Review	Reason for Inclusion
ENG51	Climate emergency	Core	Climate Change and Sustainability Director	20	Q1	Following on from our previous reviews of governance and strategy, this audit will review the delivery of the plans that underpin the Council's climate emergency strategy.	Directorate risk ENG0029 (high) Cyclical audit
Total - Neighbourhoods and Growth Directorate				135	days		
Finance Directorate							
F02	Key financial system - treasury management	Core	Strategic Director of Finance	15	Q1	Assurance over the Council's compliance with the Chartered Institute of Public Finance and Accountancy Treasury Management Code of Practice, and the adequacy and effectiveness of the internal control environment for investment and borrowing transactions.	Directorate risk FIN0027 (medium) Key financial system Cyclical review
F03	Key financial system - suspense accounts management	Core	Director of Customer and Exchequer Services	15	Q2	A review of the controls and administration of the Council's suspense accounts to provide assurance on policies and procedures, access levels, that the number of transactions routed to the suspense accounts is minimised and transactions are authorised, cleared, and transferred to the correct account on a timely basis.	Key financial system Cyclical review

Plan Ref.	Area	Type of Review	Audit Sponsor	Days	Indicative Timing	Outline Scope of the Review	Reason for Inclusion
F06	Financial planning	Future	Strategic Director of Finance	25	Q3	A review of the end to end process for developing the medium term financial strategy and annual financial planning cycle.	Key financial system Cyclical review Directorate risk CAS0063 (medium) Directorate risk FIN0001 and FIN0019 (high)
F09	Bribery and corruption controls	Core	Strategic Director of Finance	20	Q1	Assurance over the adequacy of the control framework in place to manage the risks of bribery and corruption, and how the Fairer Future Anti-fraud, bribery and corruption strategy is effected in practice.	Cyclical review Directorate risk FIN00028 (medium) Directorate risk HOU0009 (medium) and HOU0019 (medium low)
F21	Key financial system - council tax	Core	Director of Customer and Exchequer Services	20	Q3	Assurance over the continuing adequacy of and compliance with controls in respect of council tax.	Key financial system Biennial review Directorate risk FIN010 (medium)
F23	Key financial system - housing rents	Core	Director of Customer and Exchequer Services	20	Q3	Assurance over the continuing adequacy of and compliance with controls in respect of housing rents.	Key financial system Biennial review Directorate risk FIN0006 (high)

Plan Ref.	Area	Type of Review	Audit Sponsor	Days	Indicative Timing	Outline Scope of the Review	Reason for Inclusion
F26	Key financial system - accounts Payable	Core	Director of Customer and Exchequer Services	20	Q3	Assurance over the continuing adequacy of and compliance with controls in respect of accounts payable.	Key financial system Biennial review
F56	Service charges	Core	Director of Customer and Exchequer Services	10	Q3	Assurance that the new automated system for housing service charges is operating as intended.	Management request
F63	Contract management	Core	Head of Procurement (Council-wide review)	15	Q3	A follow up of the externally commissioned review of contract management completed during 2023-24, to confirm appropriate implementation of the recommendations.	Key system. Directorate risk ENG007 (medium) Directorate risk FIN0080 (medium) Directorate risk HOU0005 (medium)
F71	Pensions administration	Core	Pensions Manager	15	Q3	A review of statutory compliance around auto enrolment and statements/AVC contributions, plus an assessment of the effectiveness of the inter-relationship with payroll.	Directorate risks FIN0058 to FIN0067 (medium to low) Key financial system Annual review
F-IT	IT audit plan	Core	Chief Digital and Technology Officer	70	Q1 to Q4	The Shared Technology Service risk assessment will be reviewed and audits across the tri-borough partnership identified. Three audits are again likely to be completed by BDO in 2024-25.	Corporate risk CR0025 Key systems.

Plan Ref.	Area	Type of Review	Audit Sponsor	Days	Indicative Timing	Outline Scope of the Review	Reason for Inclusion
Total - Finance Directorate				245	days		
Housing Directorate							
H03	Social housing regulations - major buildings	Core	Director of Ledbury Estate	15	Q1	Assurance over the adequacy of the Council's programme for ensuing compliance with the new social housing regulations relating to major buildings.	Directorate risk HOU0001 (medium) New legislation / regulations
H11	Apex asset management system	Core	Director of Asset Management	20	Q1	Assurance over the accuracy and completeness of asset records maintained on the Apex system, including property information, and statutory inspections.	Cyclical review Directorate risk HOU0015 (medium)
H12	Engineering services	Core	Director of Asset Management	15	Q2	Assurance over the adequacy and effectiveness of the governance, risk management and financial controls relating to engineering services.	Cyclical review
H23	Temporary accommodation	Core	Director of Resident Services	20	Q4	Assurance over the controls over temporary accommodation, including identification of property, procurement and ensuring it meets required standards.	Directorate risk HOU0010 (medium low) Subject to budget recovery board in 2022-23 and 2023-24. Continued increased demand

Plan Ref.	Area	Type of Review	Audit Sponsor	Days	Indicative Timing	Outline Scope of the Review	Reason for Inclusion
							due to cost of living issues.
H25	Housing solutions - applications and allocations	Core	Director of Resident Services	20	Q3	Assurance over the housing solutions processes including applications and subsequent allocations, to confirm they meet statutory guidance and the Council's policies and procedures.	Ongoing increased pressures on the housing market. Cyclical review.
H27	Social housing regulations - preparedness / compliance	Director, Resident Services	Director of Resident Services	20	Q3	Assurance over the Council's implementation of and compliance with the social housing regulations introduced in 2023-24.	Management request
H30	Tenancy management organisations (TMOs)	Core	Director of Resident Services	30	Q4	A review of a sample of three TMOs considering financial management, procurement, and statutory compliance, including health and safety, fire risk assessment and asbestos.	Significant funding to support the Council's housing strategy. Management requires ongoing assurance.
Total - Housing Directorate				140	days		
Strategy and Communities							
SC01	Communications and media	Core	Assistant Chief Executive / Head of Communications	15	Q1	Assurance over the adequacy and effectiveness of the governance and risk management controls relating to	Cyclical review

Plan Ref.	Area	Type of Review	Audit Sponsor	Days	Indicative Timing	Outline Scope of the Review	Reason for Inclusion
			and Corporate Consultation			the Council's external communications and media responses.	
SC12	Transformation, programme, project and change management	Future	Assistant Chief Executive / Head of Strategy and Change	15	Q2	A high level review over the adequacy and effectiveness of the governance and risk management controls relating to the Council's transformation programme, including ownership, capacity, and resourcing.	Underpins the Council's strategic direction.
SC31	Emergency planning and resilience, and business continuity	Core	Assistant Chief Executive / Emergency Planning and Resilience Manager	15	Q1	Assurance over the design and operational effectiveness of the controls relating to the emergency planning response and arrangements at the Council. The audit will include a review of whether roles and responsibilities are clear across the Council and with other agencies.	Directorate risk ASC0001 (medium) Cyclical review
SC41	Southwark 2030 and strategic planning	Future	Chief Executive / Assistant Chief Executive / Head of Strategy and Change	25	Q3	A review of the strategic planning process, considering the development of Southwark 2030 and underlying plans, the recommendations arising from the corporate peer review. It will consider the synergy of plans, how the risk of multiple planning / duplication has been managed and the capacity and capability to deliver the plans has been assessed and stress tested.	Chief Executive request. Underpins achievement of the Council's strategic direction.

Plan Ref.	Area	Type of Review	Audit Sponsor	Days	Indicative Timing	Outline Scope of the Review	Reason for Inclusion
Total - Strategies and Communities				70	days		
Governance and Assurance							
GA05	Information Requests	Core	Assistant Chief Executive - Governance and Assurance	20	Q1	A review of the adequacy and effectiveness of controls relating to Freedom of Information (FOI), Subject Access Requests (SAR) and Environmental Information Requests (EIR) such that statutory requirements and timeframes are met.	Corporate risk CR0025. Directorate risk AGA0017 (medium low)
GA15	Workforce governance	Future	Chief Executive / Assistant Chief Executive - Governance and Assurance	30	Q1	A review of the governance and risk management of the workforce. It will consider how the Council manages the induction, training, development, and supervision of new employees to ensure that they have the appropriate skills and knowledge to perform their roles and responsibilities. It will consider the consistency of approaches across all Council tiers.	Directorate risk AGA0009 (medium) Directorate risk FIN005 (high) Underpins the Council's strategic direction.
GA16	Key Financial System - Payroll	Core	Assistant Chief Executive / Director of People & Organisational Development	15	Q4	Assurance over the continuing adequacy of and compliance with controls in respect of payroll.	Directorate risk AGA0041 (medium) Key financial system Annual review

Plan Ref.	Area	Type of Review	Audit Sponsor	Days	Indicative Timing	Outline Scope of the Review	Reason for Inclusion
GA72	Scrutiny	Core	Assistant Chief Executive - Governance and Assurance	20	Q2	Specific areas to be agreed at time of scoping.	Request by the Assistant Chief Executive - Governance and Assurance New audit area
GA72	Mayor's office and expenses	Core	Assistant Chief Executive - Governance and Assurance	15	Q2	A review of the adequacy and controls over the Mayor's office and expenses.	New audit area
Total - Governance and Assurance				100	days		
Southwark Integrated Care System / Commissioning							
ICS03	Social care contract management	Core	Director, Commissioning	25	Q2	Assurance over the contract management arrangements relating to the ICS, including clarity of roles and responsibilities, management of delivery against expectations and KPIs and resolution of performance issues.	Corporate risks CR0034 and CR0037 Directorate risk CAS0030 (medium) Key element of the Council Delivery plan and delivery of the objectives of the South East London Integrated Care Board objectives.
Total - Integrated care System				25	days		

Plan Ref.	Area	Type of Review	Audit Sponsor	Days	Indicative Timing	Outline Scope of the Review	Reason for Inclusion
Contract Management and Requirements under the PSIA Standards							
CM1	Chief Audit Executive role	Core	Strategic Director of Finance	15	Q1 to Q4	Attendance at Audit, Governance and Standards Committee meetings, Audit Committee Chair liaison, monthly contract management meetings and end of year reporting and provision of Head of Internal Audit opinion.	Effective contract management and delivery.
CM2	Planning, liaison, management and in year reporting	Core	CMT and Strategic Director, Finance	25	Q1 to Q4	Creation of audit plan, meeting with Executive Directors, attendance at CMT and DMTS during the year, and in year progress reporting to the Audit, Governance and Standards Committee.	Effective planning and delivery.
CM3	Recommendations Follow Up	Core	Strategic Directors	30	Q1 to Q4	Follow up of all high and medium recommendations made by internal audit with management an in year status reporting to the Audit, Governance and Standards Committee.	Requirement under PSIA Standards and effective assurance that issues have been addressed such that risks are being effectively managed.
Total - Contract Management & Requirements under PSIA Standards				70	days		

Plan Ref.	Area	Type of Review	Audit Sponsor	Days	Indicative Timing	Outline Scope of the Review	Reason for Inclusion
Flexible Live Assurance - To be agreed during the year as required but could include the work shown below							
FLA	To be determined as required.	Flexible	As determined	0	Q1 - Q4	<p>Additional days to be agreed through discussion.</p> <p>The internal audit team and wider BDO specialist resources can be drawn upon as needed during the year to respond to the following type of work:</p> <ul style="list-style-type: none"> • Transparency reporting support (already agreed - 12 days per annum) • New emerging risks • Grant audits • System implementation (attendance at Project Groups) • Attendance at corporate groups (e.g., Corporate Governance Panel) • Ad hoc advice and support (e.g., school training and awareness, tax issues, employment regulations) 	Provides flexibility to the Corporate Management team, Directors and Audit, Governance and Standards Committee should the need arise during the year.

Summary by Council Directorate	Days
Children and Adult Services	115
Schools	130
Environment, Neighbourhoods and Growth	135
Finance	245
Housing	140
Strategies and Communities	70
Governance and Assurance	100
Strategic Commissioning / Integrated Care System for Southwark	25
Contract Management and Requirements under the PSIA Standards	70
Total days	1,030

Summary by Type of Review	Days
Core Assurance	800
Soft Controls	25
Future Focused Reviews	135
Flexible Audit Resource	0*
Contract Management and Requirements under the PSIA Standards	70
Total days	1,030

** As per our contractual agreement, this type of work would be delivered in addition to the agreed internal audit plan. The scope would be agreed with the Director, Finance and Service Director as required.*

5. FOR REFERENCE - INTERNAL AUDIT PLANS 2020-21 to 2025-26

IA Ref.	Audit Area	Audit Sponsor	Type of review	2020-21 (for ref.)	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (proposed)	2025-26 (indicative)
Children and Adult Services Directorate									
CAS01	Adult day care provision	Director, Adult Social Care	Core	✓					✓
CAS02	Client finances and appointeeships	Director, Adult Social Care	Core					✓	
CAS04	All age disability service	Director, Adult Social Care	Core		✓				✓
CAS05	Direct payments	Director, Adult Social Care	Core	✓			✓		
CAS07	Older people's services	Director, Adult Social Care	Core		✓				✓
CAS08	Safeguarding	Director, Adult Social Care	Core			✓			
CAS12	Continuing healthcare	Director, Adult Social Care	Core		✓				
CAS13	Covid-19 pandemic related payments	Director, Adult Social Care	Future			✓			
CAS14	Waiting Lists	Director, Adult Social Care	Core					✓	
CAS20	Adoption service	Director, Children and Families	Core	✓					
CAS21	Payments to children and families	Director, Children and Families	Core					✓	
CAS22	Supported families grant claims	Director, Children and Families	Core	✓	✓	✓	✓	✓	✓

IA Ref.	Audit Area	Audit Sponsor	Type of review	2020-21 (for ref.)	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (proposed)	2025-26 (indicative)
CAS23	Children's quality assurance unit	Director, Children and Families	Future			✓			
CAS24	Foster carers	Director, Children and Families	Core					✓	
CAS25	Placements - children in care service	Director, Children and Families	Core						✓
CAS26	Safeguarding	Director, Children and Families	Core			✓			
CAS27	Legal fees	Director, Children and Families	Core				✓		
CAS28	Youth offending service	Director, Children and Families	Core		✓				✓
CAS29	Care Leavers	Director, Children and Families	Core				✓		
CAS41	Adult learning services	Director, Children and Families	Core			✓			
CAS42	Home to school transport	Director, Children and Families	Core			✓			
CAS43	Music service	Director, Children and Families	Core						
CAS44	Pupil registry systems	Director, Children and Families	Core			✓			
CAS45	School admissions	Director, Children and Families	Core	✓					✓

IA Ref.	Audit Area	Audit Sponsor	Type of review	2020-21 (for ref.)	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (proposed)	2025-26 (indicative)
CAS46	Special educational needs (SEN)	Director, Children and Families	Core			✓			✓
CAS47	Traded services	Director, Children and Families	Future			✓		✓	
CAS48	Travel assistance	Director, Children and Families	Core	✓					
CAS49	Departmental response to schools in financial difficulties	Director, Children and Families	Future		✓				
CAS50	SEND Finance	Director, Children and Families	Core			✓			
SCH	Schools - cyclical programme*	Director, Children and Families	Core	✓	✓	✓	✓	✓	✓
CAS51	Health and wellbeing strategy	Director, Public Health	Core				✓		
CAS52	Children and young people health	Director, Public Health	Core						✓
CAS53	Mental health services	Director, Public Health	Core			✓			
CAS54	Substance misuse	Director, Public Health	Core	✓		✓		✓	
Environment, Neighbourhoods and Growth Directorate									
ENG01	Highways maintenance	Director, Environment	Core		✓			✓	
ENG02	CCTV	Director, Environment	Core						✓

IA Ref.	Audit Area	Audit Sponsor	Type of review	2020-21 (for ref.)	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (proposed)	2025-26 (indicative)
ENG03	Enforcement	Director, Environment	Core					✓	
ENG04	Licencing	Director, Environment	Core		✓				
ENG05	Parking management & estates parking permits	Director, Environment	Core			✓			
ENG06	Markets	Director, Environment	Core			✓			
ENG07	Materials	Director, Environment	Core			✓			
ENG08	Pest control	Director, Environment	Core					✓	
ENG09	Street lighting and signs	Director, Environment	Core					✓	
ENG10	Commercial waste	Director, Environment	Core						✓
ENG11	Fleet contract and strategy management	Director, Environment	Core	✓					
ENG12	Estates cleaning and grounds maintenance	Director, Environment	Core				✓		
ENG13	Waste contract / PFI	Director, Environment	Core	✓				✓	
ENG14	Trading standards, food safety and health & safety	Director, Environment	Core						✓
ENG21	Cemeteries and crematoria	Director, Leisure	Core			✓			
ENG22	Library service	Director, Leisure	Core		✓				
ENG23	Leisure services	Director, Leisure	Core		✓		✓		

IA Ref.	Audit Area	Audit Sponsor	Type of review	2020-21 (for ref.)	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (proposed)	2025-26 (indicative)
ENG24	South Dock Marina	Director, Leisure	Future	✓	✓				✓
ENG25	Youth and play service	Director, Leisure	Core					✓	
ENG26	Culture and events	Director, Leisure	Core	✓					✓
ENG28	Tree management service	Director, Leisure	Future / Core	✓			✓		
ENG29	Volunteer management	Director, Leisure / Director, Environment	Core	✓					
ENG31	No recourse to public funds	Director, Communities	Core				✓		
ENG41	Planning applications and s106 agreements	Director, Planning and Growth	Core	✓			✓		
ENG42	Building control	Director, Planning and Growth	Core			✓			
ENG43	Movement (Transport) policy	Director, Planning and Growth	Core	✓					
ENG44	Land charges	Director, Planning and Growth	Core						✓
ENG45	Community infrastructure levy	Director, Planning and Growth	Core	✓			✓		
ENG46	Major regeneration programmes & projects	Director, Planning and Growth	Core			✓		✓	
ENG47	Commercial property portfolio	Director, Planning and Growth	Core		✓				✓

IA Ref.	Audit Area	Audit Sponsor	Type of review	2020-21 (for ref.)	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (proposed)	2025-26 (indicative)
ENG48	Streets for people strategy	Director of Environment	Core					✓	
ENG51	Climate emergency	Climate Change and Sustainability Director	Future / Core	✓		✓		✓	
Finance Directorate									
F01	Key financial system - General ledger	Director, Finance	Core			✓			✓
F02	Key financial system - Treasury management	Director, Finance	Core		✓			✓	
F03	Key financial system - Suspense accounts management	Director, Finance	Core		✓			✓	
F04	Key financial system - SAP scheme of delegation and authorisations	Director, Finance	Core	✓					✓
F05	Housing revenue account (HRA)	Director, Finance	Core		✓		✓		
F06	Financial planning	Director, Finance	Core		✓			✓	
F07	Budgetary control	Director, Finance	Core				✓		
F08	Fraud protocols and fraud risk management	Director, Finance	Core	✓					✓
F09	Bribery and corruption controls	Director, Finance	Core					✓	

IA Ref.	Audit Area	Audit Sponsor	Type of review	2020-21 (for ref.)	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (proposed)	2025-26 (indicative)
F10	Capital expenditure management	Director, Finance	Core			✓			✓
F11	Key financial system - Mosaic	Director, Finance / Director, Adult Service / Director, Children and Families	Core	✓		✓	✓		✓
F12	Bankline	Director, Customer and Exchequer Services	Core				✓		
F21	Key financial system - council tax	Director, Customer and Exchequer Services	Core		✓			✓	
F22	Key financial system - NNDR	Director, Customer and Exchequer Services	Core		✓				✓
F23	Key financial system - housing rents	Director, Customer and Exchequer Services	Core	✓		✓		✓	
F24	Key financial system - Accounts receivable /debt management	Director, Customer and Exchequer Services	Core	✓			✓		
F26	Key financial system - Accounts payable	Director, Customer and Exchequer Services	Core	✓	✓	✓		✓	
F27	Key financial system - Housing benefits	Director, Customer and Exchequer Services	Core		✓		✓		✓
F28	Use of consultants / payments to individuals outside of PAYE / IR35	Director, Customer and Exchequer Services	Core				✓		

IA Ref.	Audit Area	Audit Sponsor	Type of review	2020-21 (for ref.)	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (proposed)	2025-26 (indicative)
F29	Corporate credit cards	Director, Customer and Exchequer Services	Core	✓					✓
F30	Cost of living fund	Director, Customer and Exchequer Services	Core				✓		
F31	Blue badges and freedom passes	Director, Customer and Exchequer Services	Core	✓					✓
F41	Registrars	Director, Customer and Exchequer Services	Core	✓					✓
F51	Right to buy	Director, Customer and Exchequer Services	Core			✓			
F52	Customer access strategy	Director, Customer and Exchequer Services	Future		✓				
F53	Insurance	Director, Customer and Exchequer Services	Core		✓				✓
F54	Home ownership - mortgages	Director, Customer and Exchequer Services	Core						✓
F55	Home ownership - charges to leaseholders	Director, Customer and Exchequer Services	Core		✓				✓
F56	Home ownership - garages	Director, Customer and Exchequer Services	Core				✓		
F57	Enforcement agents, rent arrears and write offs	Director, Customer and Exchequer Services	Core		✓				
F58	Contact centre	Director, Customer and Exchequer Services	Future	✓					

IA Ref.	Audit Area	Audit Sponsor	Type of review	2020-21 (for ref.)	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (proposed)	2025-26 (indicative)
F61	Contracts Register	Head of Procurement (Council-wide review)	Core		✓				✓
F62	Fairer Future Procurement Framework	Head of Procurement (Council-wide review)	Core	✓	✓				✓
F63	Contract Management	Head of Procurement (Council-wide review)	Core					✓	
F64	Supplier resilience	Head of Procurement (Council-wide review)	Core			✓			
F71	Pensions Administration	Pensions Manager	Core	✓	✓	✓	✓	✓	✓
F-IT01	Network security	Chief Digital and Technology Officer	Core	✓					
F-IT02	IT disaster recovery and business continuity planning	Chief Digital and Technology Officer	Core		✓				
F-IT03	IT shared service arrangements/governance	Chief Digital and Technology Officer	Core	✓			✓		
F-IT04	Change control	Chief Digital and Technology Officer	Core						
F-IT05	Website security and maintenance	Chief Digital and Technology Officer	Core						
F-IT06	Cloud strategy	Chief Digital and Technology Officer	Core						
F-IT07	Cyber security	Chief Digital and Technology Officer	Core	✓	✓ (reliance on third		✓		

IA Ref.	Audit Area	Audit Sponsor	Type of review	2020-21 (for ref.)	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (proposed)	2025-26 (indicative)
					party assurance)				
F-IT08	Cloud computing	Chief Digital and Technology Officer	Core			✓			
F-IT09	Mobile device management	Chief Digital and Technology Officer	Core						
F-IT10	Software licensing	Chief Digital and Technology Officer	Core	✓		✓			
F-IT11	Hornbill STS service desk review	Chief Digital and Technology Officer	Core		✓				
F-IT12	IT asset hardware management	Chief Digital and Technology Officer	Core				✓		
F-IT12	Applications review	Chief Digital and Technology Officer	Core			✓			
F-IT99	IT service review	Chief Digital and Technology Officer	Core				✓		
Housing Directorate									
H01	New homes programme	Managing Director, Southwark Construction	Core	✓		✓			
H02	Ledbury Estate	Director, Ledbury Estate	Core						
H03	Social housing regulations - major buildings	Director, Ledbury Estate	Core					✓	
H11	Apex asset management system	Director, Asset Management	Core			✓		✓	

IA Ref.	Audit Area	Audit Sponsor	Type of review	2020-21 (for ref.)	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (proposed)	2025-26 (indicative)
H12	Engineering services	Director, Asset Management	Core					✓	
H13	Gas servicing	Director, Asset Management	Core						✓
H14	Housing adaptations	Director, Asset Management	Core				✓		
H15	Major works	Director, Asset Management	Core		✓	✓			✓
H16	Building Safety	Director, Asset Management	Future / Core			✓			
H17	Statutory disrepairs	Director, Asset Management	Core				✓		
H18	Southwark building services / repairs and maintenance	Director, Asset Management	Future / Core		✓	✓			
H21	Voids	Director, Resident Services	Core			✓			✓
H22	Housing tenancies	Director, Resident Services	Core		✓				✓
H23	Temporary accommodation	Director, Resident Services	Future / Core			✓		✓	
H24	MySouthwark home owner's agency	Director, Resident Services	Core						✓
H25	Housing solutions - applications and allocations	Director, Resident Services	Core	✓				✓	
H26	Housing solutions - homelessness	Director, Resident Services	Core			✓			
H27	Social housing regulations	Director, Resident Services	Future				✓	✓	

IA Ref.	Audit Area	Audit Sponsor	Type of review	2020-21 (for ref.)	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (proposed)	2025-26 (indicative)
	- preparedness / compliance								
H30	Tenancy management organisations (TMOs) - cyclical compliance audits	Director, Resident Services	Core	✓	✓	✓	✓	✓	✓
H31	Tenancy Management organisations - use of reserves	Director, Resident Services	Future			✓			
Strategy and Communities									
SC01	Communications and media	Assistant Chief Executive / Head of Communications and Corporate Consultation	Core					✓	
SC11	Council Delivery Plan	Assistant Chief Executive / Strategy and Change Manager (Council-wide review)	Core				✓		
SC12	Transformation, programme, project and change management	Assistant Chief Executive / Strategy and Change Manager	Future					✓	
SC21	Equality, Diversity, and Inclusion	Assistant Chief Executive - Strategy and Communities	Soft						✓
SC22	Community engagement	Assistant Chief Executive - Strategy and Communities	Future				✓		

IA Ref.	Audit Area	Audit Sponsor	Type of review	2020-21 (for ref.)	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (proposed)	2025-26 (indicative)
SC31	Emergency planning and resilience, and business continuity	Assistant Chief Executive / Emergency Planning and Resilience Manager	Core		✓			✓	
SC41	Southwark 2030 and strategic planning strategy	Chief Executive	Future					✓	
SC42	Southwark 2030 implementation	Assistant Chief Executive / Head of Policy, Partnerships and Performance	Core (2026-27 plan)						
Governance and Assurance									
GA01	Risk Management	Assistant Chief Executive - Governance and Assurance	Core		✓				✓
GA02	Hospitality and gifts register, register of interests	Assistant Chief Executive - Governance and Assurance	Core			✓			
GA03	Data protection compliance	Assistant Chief Executive / Governance and Assurance	Core		✓				
GA04	Records management	Assistant Chief Executive / Governance and Assurance	Core	✓			✓		
GA05	Information requests	Assistant Chief Executive / Governance and Assurance	Core					✓	
GA11	Staff recruitment and vetting	Assistant Chief Executive - Governance and Assurance	Core				✓		
GA12	Sickness absence management, monitoring,	Assistant Chief Executive - Governance and Assurance	Core			✓			

IA Ref.	Audit Area	Audit Sponsor	Type of review	2020-21 (for ref.)	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (proposed)	2025-26 (indicative)
	and reporting								
GA13	Organisational development	Assistant Chief Executive - Governance and Assurance	Core						✓
GA14	Culture maturity	Assistant Chief Executive - Governance and Assurance	Future						✓
GA15	Workforce governance	Chief Executive / Assistant Chief Executive - Governance and Assurance	Future					✓	
GA16	Key Financial System - Payroll	Assistant Chief Executive - Governance and Assurance	Core	✓	✓	✓	✓	✓	✓
GA21	Corporate facilities management	Assistant Chief Executive - Governance and Assurance	Core		✓		✓		
GA22	Health and safety	Assistant Chief Executive - Governance and Assurance	Core			✓			✓
GA51	Whistleblowing	Assistant Chief Executive - Governance and Assurance	Core		✓				
GA52	Complaints	Assistant Chief Executive - Governance and Assurance	Core		✓	✓			
GA61	Electoral register and elections	Assistant Chief Executive - Governance and Assurance	Core		✓				
GA71	Member officer protocol	Assistant Chief Executive - Governance and Assurance	Core			✓			
GA72	Members allowances	Assistant Chief Executive - Governance and Assurance	Core		✓				

IA Ref.	Audit Area	Audit Sponsor	Type of review	2020-21 (for ref.)	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (proposed)	2025-26 (indicative)
GA72	Scrutiny	Assistant Chief Executive - Governance and Assurance	Core					✓	
GA72	Mayor's office and expenses	Assistant Chief Executive - Governance and Assurance	Core					✓	
Strategic Commissioning / Integrated Care System for Southwark									
ICS01	Partnership governance and integration of services	Director, Commissioning	Future				✓		
ICS02	Commissioning of services	Director, Commissioning	Core				✓		
ICS03	Contract Management	Director, Commissioning	Core		✓			✓	

APPENDIX I

Internal Audit Charter - Role and Scope of Internal Audit

Purpose of this charter

This charter is a requirement of Public Sector Internal Audit Standards (PSIAS).

The charter formally defines internal audit's mission, purpose, authority, and responsibility. It establishes internal audit's position within the London Borough of Southwark and defines the scope of internal audit activities.

Final approval resides with the Council, in practice the charter shall be reviewed and approved annually by management and by the Audit, Governance and Standards Committee on behalf of the Council.

Internal audit's mission

Internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

Standards of internal audit practice

To fulfil its mission, internal audit will perform its work in accordance with PSIAS, which encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF): Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

Internal audit definition and role

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.

Internal audit acts primarily to provide the Audit, Governance and Standards Committee with information necessary for it to fulfil its own responsibilities and duties. Implicit in internal audit's role is that it supports management to fulfil its own risk, control, and compliance responsibilities. The range of work performed by internal audit is set out in PSIAS and not repeated here.

Internal audit's scope

The scope of internal audit activities includes all activities conducted by London Borough of Southwark. The Internal Audit Plan sets out those activities that have been identified as the subject of specific internal audit engagements.

The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system, or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management, with the aim of improving governance, risk management and control and contributing to the overall opinion. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

Effective internal audit

Our internal audit function is effective when:

- It achieves the purpose and responsibility included in the internal audit charter
- It conforms with the Standards
- Its individual members conform with the Code of Ethics and the Standards
- It considers trends and emerging issues that could impact the organisation.

The internal audit activity adds value to London Borough of Southwark (and its stakeholders) when it considers strategies, objectives, and risks, strives to offer ways to enhance governance, risk management and control processes and objectively provides relevant assurance.

We will agree with you an audit plan for a total number of days activity. Once agreed, we will turn this into a cash budget which we will work to, to ensure that you have certainty around the fees you will pay us.

Independence and internal audit's position within London Borough of Southwark

To provide for internal audit's independence, its personnel, and external partners report to the Head of Internal Audit, who reports functionally to the Audit Committee. The Head of Internal Audit has free and full access to the Chair of the Audit, Governance and Standards Committee. The Head of Internal Audit reports administratively to the Strategic Director, Finance (S151 Officer) who provides day-to-day oversight.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit, Governance and Standards Committee.

The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest. The internal audit service is not ordinarily authorised to perform any operational duties for London Borough of Southwark.

If internal audit undertakes non-audit activities, safeguards will be agreed to ensure that independence or objectivity of the internal audit activity are not impaired. This might include a separate partner review of the work or a different team undertaking the work. Approval of the arrangements for such engagements will be sought from the Audit Committee prior to commencement.

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual objectivity when assigning resources to the engagement. Such safeguards will be communicated to the Audit, Governance and Standards Committee.

Internal audit must be free from interference in determining the scope of internal auditing, performing work, and communicating results. Should any interference take place, internal audit will disclose this to the Audit, Governance and Standards Committee to discuss the implications.

Internal audit's role in countering fraud, bribery, and corruption

Management, not internal auditors are responsible for the prevention and detection of fraud, bribery, and corruption. Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption as well as seeking to identify indications that fraud and corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. In the event that internal audit suspects a fraud, this will be referred to appropriate management in the first instance and then the Audit, Governance and Standards Committee.

Access to records and confidentiality

There are no limitations to internal audit's right of access to London Borough of Southwark officers, records, information, premises, or meetings which it considers necessary to fulfil its responsibilities.

When the auditors receive confidential information about your affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical, or other professional pronouncements applicable. All information will be maintained in line with appropriate regulations, for example the Data Protection Act 2018.

Coordination and reliance with other assurance providers

In co-ordinating activities internal audit may rely on the work of other assurance and consulting service providers.

A consistent approach is adopted for the basis of reliance and internal audit will consider the competency, objectivity, and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed upon the work of others, internal audit is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

Internal audit's commitments to London Borough of Southwark

Internal audit commits to the following:

- Working with management to improve risk management, controls, and governance within the organisation
- Performing work in accordance with PSIAS
- Complying with the ethical requirements of PSIAS
- Dealing in a professional manner with Council staff, recognising their other commitments and pressures
- Raising issues as they are identified, so there are no surprises and providing practical recommendations

- Liaising with external audit and other regulators to maximise the assurance provided to the Council
- Reporting honestly on performance against targets to the Audit, Governance and Standards Committee.

Internal audit performance measures and indicators

The tables below contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The Audit, Governance and Standards Committee approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

Quality assurance and improvement programme

As required by PSIAS, an external assessment of the service will be performed at least every five years. BDO also has an internal quality assurance review process in place, which takes place annually. This is performed by a separate team independent to the internal audit team.

The results of internal and external assessments will be communicated to the Audit, Governance and Standards Committee as part of the internal audit annual report, along with corrective action plans.

Table One: Performance measures for internal audit

Measure / Indicator
<p><i>Audit Coverage</i></p> <p>Annual Audit Plan delivered in line with timetable.</p> <p>Actual days are in accordance with Annual Audit Plan.</p>
<p><i>Relationships and customer satisfaction</i></p> <p>Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit.</p> <p>Annual survey to [Audit Committee] to achieve score of at least 70%.</p> <p>External audit can rely on the work undertaken by internal audit (where planned).</p>
<p><i>Staffing and Training</i></p> <p>At least 60% input from qualified staff.</p>
<p><i>Audit Reporting</i></p> <p>Issuance of draft report within 3 weeks of fieldwork `closing` meeting.</p> <p>Finalise internal audit report 1 week after management responses to report are received.</p>

90% recommendations to be accepted by management.

Information is presented in the format requested by the customer.

Audit Quality

High quality documents produced by the auditor that are clear and concise and contain all the information requested.

Positive result from any external review.

Management and staff commitments to Internal Audit

The management and staff of London Borough of Southwark commit to the following:

- Providing unrestricted access to all of London Borough of Southwark's records, property, and personnel relevant to the performance of engagements
- Responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- Implementing agreed recommendations within the agreed timeframe
- Being open to internal audit about risks and issues within the organisation
- Not requesting any service from internal audit that would impair its independence or objectivity
- Providing honest and constructive feedback on the performance of internal audit.

Management and staff performance measures and indicators

The following three indicators are considered good practice performance measures, but we go beyond this and report on a suite of measures as included in each Audit, Governance and Standards Committee Annual Report.

Table Two: Performance measures for management and staff

Measure / Indicator

Response to Reports

Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt.

Implementation of recommendations

Audit sponsor to implement all audit recommendations within the agreed timeframe.

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.

BDO contacts

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Item No. 15.	Classification: Open	Date: 5 February 2024	Meeting Name: Audit, governance and standards committee
Report title:		Progress report on the work of internal audit	
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 details the progress report on the work of internal audit and anti-fraud for London Borough of Southwark.

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	Progress report on the work of internal audit

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Aaron Winter, Angela Mason-Bell; BDO	
Version	Final	
Dated	19 January 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Assistant Chief Executive, Governance and Assurance	No	N/A
Strategic Director of Finance	No	N/A
Cabinet Member	No	No
Date final report sent to Constitutional Team	19 January 2024	



INTERNAL AUDIT PROGRESS REPORT

London Borough of Southwark

For presentation to the Audit, Governance and Standards Committee

5 February 2024



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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 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 2023-24

The status of the audits commenced to date for 2023-24 is outlined within section 3 of this report.

Where reports have been finalised since the last meeting of the Committee, the executive summaries are included in section 4.

Internal audit programme for schools

Since the last meeting of the Committee, responses have been received and final reports issued for the remaining three 2022-23 schools. For completeness, the assurance ratings for these schools are listed in section 2.

We are delivering the work programme previously agreed with the former Director of Education for 2023-24 that will meet the assurance needs of the Council. Delivery commenced in June 2023.

All school audits are booked in, and the majority of start dates have been agreed with the headteachers and school business managers. A schedule of progress and internal audit opinions for 2023-24 is also included in section 3 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 that are due 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 and evidence to support implementation. Limited substantive testing is also completed where this is appropriate.

Since our last report in November 2023, the Council has maintained a recommendation implementation rate of 89%. However, several recommendation target dates for 2022-23 audits are continuing to be revised, which is preventing a higher implementation rate. Some longstanding recommendations from previous years remain that are yet to be fully implemented, although these have now reduced in number.

Following an action from the Audit, Governance and Standards Committee in September 2023, the follow-up table has been extended to separate out longstanding recommendations from 2020-21 and 2021-22. The officers responsible for these recommendations have previously attended the Committee and advised that all recommendations will be implemented by 31 March 2024.

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 continue to provide support and challenge to the Council in meeting its obligations for reporting of expenditure under the Local Government Transparency Code 2015. No issues to prevent publication of the information have arisen.

2. Schools internal audit plan

The table below includes the status of audits commenced to date and the assurance opinions where the final report has been issued. The schools programme is particularly backloaded this year, which can be attributed to a combination of factors. There was a knock-on effect of delays in finalising the reports for 2023-24. For 2024-25, delays in receiving confirmation of the final list for the year and subsequently the holidays meant that schools could not accommodate our site visits and we could not start most of the work before September 2023. Our aim for 2023-24 is to issue all draft reports by 31 March 2024 (the fieldwork for the last school is planned to start on 4 March 2024). We will also seek to agree the plan for 2024-25 by mid-March 2024 to allow more time for planning.)

School	Status	Design	Operational Effectiveness
2022-23 (remaining audits)			
Grove Children & Family Centre	Final Report	Substantial	Moderate
St George's Church of England Primary School	Final Report	Moderate	Moderate
Tuke School	Final Report	Moderate	Moderate
2023-24			
St James Church of England Primary School	Final Report	Moderate	Moderate
Evelina Hospital School	Final Report	Substantial	Moderate
Brunswick Park Primary School	Draft Report 22 Jan 2024		
Bellenden Primary School	Quality Assurance / Reporting		
Comber Grove Primary School	Quality Assurance / Reporting		
Friars Primary School	Quality Assurance / Reporting		
Robert Browning Primary School	Quality Assurance / Reporting		
Rye Oak Primary School	Quality Assurance / Reporting		
Ivydale Primary School	15 Jan 2024		
Victory School	22 Jan 2024		
Crampton Primary School	23 Jan 2024		
Hollydale Primary School	29 Jan 2024		

School	Status	Design	Operational Effectiveness
Alfred Salter Primary School	30 Jan 2024		
St George's Cathedral RC Primary School	5 Feb 2024		
Riverside Primary School	26 Feb 2024		
Tower Bridge Primary School	26 Feb 2024		
Grange Primary School	4 Mar 2024		

3. SUMMARY OF INTERNAL AUDIT PLAN 2023-24

The table below includes the status of audits commenced to date and outlines all agreed work at the time of writing. For those audits not yet at reporting stage, the table is split by directorate. For those audits shaded in grey, the executive summaries are included in section 4.

Audit	Director / Audit Sponsor	ToR issued	Fieldwork (planned / indicative)	QA / Reporting	Design	Operational Effectiveness
FINAL REPORTS - PREVIOUSLY PRESENTED TO THE AUDIT, GOVERNANCE AND STANDARDS COMMITTEE						
Capital Expenditure Management - General Fund	Strategic Director, Finance/ Chief Accountant	✓	✓	✓ Final Report	Moderate	Moderate
Family Hubs and Start for Life	Director, Childrens Services	✓	✓	✓	NA Grant audit	NA Grant audit
Home Ownership - Garages	Director of Customer and Exchequer Services	✓	✓	✓ Final Report	Moderate	Limited
Home to School Transport	Director of Education	✓	✓	✓ Final Report	NA Advisory	NA Advisory
Housing Adaptations	Director of Asset Management	✓	✓	✓ Final Report	Moderate	Moderate
Leisure services	Director of Leisure	✓	✓	✓ Final Report	NA Advisory	NA Advisory
Pupil Registry Systems	Director of Education	✓	✓	✓ Final Report	Substantial	Substantial
Sickness Absence Management	Assistant Chief Executive - Governance and Assurance	✓	✓	✓ Final Report	Moderate	Moderate

Audit	Director / Audit Sponsor	ToR issued	Fieldwork (planned / indicative)	QA / Reporting	Design	Operational Effectiveness
Social Housing White Paper	Director of Resident Services	✓	✓	✓ Final Report	Moderate	Substantial
Southwark Repairs - Service Improvement Plan	Director of Asset Management	✓	✓	✓ Final Report	Moderate	Moderate
Supporting Families - Grant Audit (April to July claims)	Director, Children and Families	✓	✓	✓ Final Report	NA Grant audit	NA Grant audit
Supporting Families - Grant Audit (Augst to September claims)	Director, Children and Families	✓	✓	✓ Final Report	NA Grant audit	NA Grant audit
Voids	Director of Resident Services	✓	✓	✓ Final Report	Moderate	Limited
FINAL REPORTS - EXECUTIVE SUMMARIES INCLUDED IN THIS PROGRESS REPORT						
Direct Payments	Director, Adult Social Care	✓	✓	✓ Final Report	Moderate	Limited
Estates Cleaning and Grounds Maintenance	Director, Environment	✓	✓	✓ Final Report	Moderate	Moderate
IR35	Director, People and Organisational Development	✓	✓	✓ Final Report	NA Advisory	NA Advisory
Statutory Disrepairs	Director, Asset Management	✓	✓	✓ Final Report	Moderate	Moderate
Supporting Families - Grant Audit (October to December claims)	Director, Children and Families	✓	✓	✓ Final Report	NA Grant audit	NA Grant audit

Audit	Director / Audit Sponsor	ToR issued	Fieldwork (planned / indicative)	QA / Reporting	Design	Operational Effectiveness
Tenancy Management Organisation - Accounts Objection Review	Strategic Director, Housing and Strategic Director, Finance	✓	✓	✓ Final Report	NA Advisory	NA Advisory
TMO - Haddonhall Co-operative	Director, Resident Services	✓	✓	✓ Final Report	Moderate	Moderate
Tree Management Service	Director, Leisure	✓	✓	✓ Final Report	Moderate	Moderate
DRAFT REPORTS ISSUED						
Capital Expenditure Management - Housing Revenue Account	Director, Finance	✓	✓	✓ Draft Report 17 Jan 2024		
IT - Shared Service Governance	Chief Digital and Technology Officer	✓	✓	✓ Draft Report 20 Dec 2023		
Legal Fees	Director, Children and Families / Assistant Chief Executive - Governance and Assurance	✓	✓	✓ Draft Report 4 Jan 2024		
Records Management	Assistant Chief Executive Governance and Assurance	✓	✓	✓ Draft Report 19 Jan 2024		
TMO - Browning EMB	Director, Resident Services	✓	✓	✓ Draft Report		

Audit	Director / Audit Sponsor	ToR issued	Fieldwork (planned / indicative)	QA / Reporting	Design	Operational Effectiveness
				2 Nov 2023		
TMO - Kennington Park	Director, Resident Services	✓	✓	✓ Draft Report 24 Oct 2023		
Children and Adult Services Directorate						
Mountview Academy of Theatre Arts	Director of Education	✓	✓	✓		
Care Leavers	Director, Children and Families	✓	13 Feb 2024			
Adopt London Partnership	Director of Childrens Services / Director of Finance	Planning	11 Mar 2024			
Environment, Neighbourhoods and Growth Directorate						
Leisure Services - Assurance	Director, Leisure	✓	✓			
Major Regeneration - Programme & Projects	Director of Planning and Growth	✓	✓			
Planning applications and s106 agreements	Director, Planning and Growth	✓	✓			
Finance Directorate, including IT audits						
Accounts Receivable and Debt management	Director, Customer and Exchequer Services	✓	✓			

Audit	Director / Audit Sponsor	ToR issued	Fieldwork (planned / indicative)	QA / Reporting	Design	Operational Effectiveness
Budgetary Monitoring and Reporting	Director, Finance	✓	✓			
Housing Benefits	Director, Customer and Exchequer Services	✓	✓			
Pensions Administration	Pensions Manager	✓	✓			
Cost of Living Fund	Director, Customer and Exchequer Services	✓	5 Feb 2024			
Mosaic	Director, Customer and Exchequer Services	Planning	11 Mar 2024			
IT - Asset / Hardware Management	Chief Digital and Technology Officer	Planning	26 Feb 2024			
IT - Service Review	Chief Digital and Technology Officer	Planning	14 Mar 2024			
IT - Cyber Security	Chief Digital and Technology Officer	✓	18 Mar 2024			
Housing Directorate						
Temporary Accommodation Budget Recovery Board - Advisory	Director, Resident Services	Ongoing	Ongoing			
Two Towers TMO - Advisory	Director, Resident Services	✓	✓			
Strategy and Communities						
Council Delivery Plan	Assistant Chief Executive, Strategy and Communities	✓	✓			

Audit	Director / Audit Sponsor	ToR issued	Fieldwork (planned / indicative)	QA / Reporting	Design	Operational Effectiveness
Governance and Assurance						
Corporate Facilities Management	Assistant Chief Executive, Governance and Assurance	✓	✓			
Staff recruitment and vetting	Director, People and Organisational Development	✓	✓			
Payroll	Director, Customer and Exchequer Services	Planning	11 Mar 2024			
Integrated Care System						
Partnership governance and integration of services	Joint leadership role with the ICB	✓	26 Feb 2024			
Commissioning of services	Director, Commissioning	✓	11 Mar 2024			

4. EXECUTIVE SUMMARIES OF REPORTS FINALISED SINCE THE LAST MEETING

CAS03 Direct Payments January 2024	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	1
	Moderate	Limited	Medium	5
			Low	-
Purpose of review:	To review the adequacy and effectiveness of the controls relating to direct payments, and controls over the Allpay cards assigned to clients. The service areas within Adult Social Care covered by this review were all age disabilities; learning disabilities; mental health and older peoples and physical disability; and included both high cost and low-cost packages.			
Background:	<p>Individuals who have eligible needs as per the Care Act 2014 are entitled to a personal budget (PB), which is the amount that is calculated to be able to meet an individual's support needs. To allow a client to directly purchase support to meet their needs with flexibility, choice and responsibility, the Council assigns an AllPay card to the client, a prepaid card onto which the PB is paid four weekly. Where a client is receiving DPs, there must be a Direct Payment Agreement in place between the Council and the individual. Clients in receipt of DPs may be means-tested and required to pay a financial contribution towards their care, except in situations where services are provided as aftercare under Section 117 of the Mental Health Act or where reablement services are being provided. Client contributions need to be paid directly into the AllPay account. Where PBs are managed by a third party, the PB is paid by the Council into the client account of the third-party or provider that holds the money on behalf of the client. In such cases, there will be an agreement between the Council and the third party, and the third party must provide evidence to the Council to show how the agreed care needs are being met. Clients who receive DPs are required to submit returns, monitoring information on a monthly basis. Where clients fail to provide this required information, the Council's procedures set out actions to take where clients consistently fail to provide monitoring information monthly. Since the appointment of monitoring officers in September 2020, AllPay card spending is required to be subject to monthly review. SAP Financial Accounting shows the total budget for direct client payments in 2023-24 is £9,065,000 and actual total spend to date (19 January 2024) is £7,273,412. The total budget in 2022-23 was £ 8,868,000 and actual total spend was £ 8,338,063.</p>			
Areas of strength:	<ul style="list-style-type: none"> Adult social care policies, procedures & practice guidance: There are overarching policies, procedures & practice guidance, including a glossary of terms that is readily available to all staff via a robust system, Tri.x. Paying for adult social care and support: There is comprehensive client advice regarding paying for adult social care and support on the Council's website that was last updated 27 June 2023, which includes the approach, and charging principles for ensuring fairer client contributions. There is 			

an Online Financial Assessment or Client Contribution Calculator: Paying for your care and support - Southwark Council.

- Mosaic Social Care Case Management System: Mosaic is used to record the work care and support teams and client finance undertake with regards to people in need. Mosaic is a social care case management system, which uses proven practices to meet statutory requirements. Carestore and Information at Work are filing systems that are used to support the Mosaic system.

Areas of concern:

- Policies and procedures: Several policies and procedural guidance had not been reviewed to ensure they are comprehensive and kept up to date.
- Panel review: Three Panel review processes, Mental Health and Substance Misuse, All age Disabilities and Learning Disabilities, and Older Adults and Physical Disabilities, were identified for requests for additional monies to be authorised to meet the cost of the care and support needs of a person, however, these were not consistent with one another and there was no comprehensive checklist to demonstrate that Panel approval is given only once all key policy and procedural guidelines have been fully complied with and assessed to the satisfaction of the panel Chair.
- Client identification verification checks: Our sample testing found client identification checks were not done or not done consistently. For a sample of 25 direct payments made in Period 6, 2023/24, there was insufficient documentation available from the Mosaic, Carestore and Information at Work systems to demonstrate the eligibility and approval of the direct payments made in line with Council guidance, for 17 adult social care cases.
- Financial assessments and client contribution assessments: Our sample testing of 25 direct payments (Appendix II) identified 17 missing financial assessments and clients contribution assessments for direct payments as at Period 6, 2023/24 which totalled £82,446.34. As a result, there is insufficient evidence of eligibility and approval for a total of £82,446.34 direct payments as at Period 6, 2023/24.
- Records management: While completing our detailed testing we observed that locating records is generally time consuming. Due mainly to a lack of a standardised format for file names and file locations for documents and records input to the Mosaic, Carestore and Information at Work systems.
- Personal budget and direct payment agreements: Our review of the same sample of 25 personal budget and direct payments identified eight cases where there was no valid agreement in place (Personal Budget Agreement or Direct Payment Agreement), for the provision of care services in place. There is a risk that there is a lack of proper record-keeping, accountability, and transparency for the provision of the care services in place.
- Annual reviews: Our review of the sample of 25 personal budget and direct payments identified nine cases without an annual review in 2022-2023. There is no comprehensive management tracking showing Annual Review completion status, missed or overdue dates or unscheduled reviews which may be requested by the client, family member, carer, or provider because there has been a change in the person's eligible needs.
- Client's spend, monitoring and reconciliation: Our review of the sample of 25 personal budget and direct payments identified four cases where monitoring was not done during 2022-23 or 2023. However, our discussions with the Payments Team identified there is a backlog of client monitoring information that has yet to be collected which in some cases is putting the Council in a position of not being able to effectively track where its payments are being spent. However, there is inconsistent communication and escalation with clients regarding assessment of their contribution and effective collection mechanisms.
- Reclaims: Our review identified two surplus client account balances totalling £5,500, and another client account with transactions that indicated the account was not a dedicated client account for the sole purpose of ASC DP. The Team Manager agreed to investigate these matters and to reclaim as appropriate.

ENG12 Estates Cleaning and Grounds Maintenance January 2024		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	-
		Moderate	Moderate	Medium	3
				Low	1
Purpose of review:	To review the accuracy and completeness of costs being charged to leaseholders for estate cleaning and grounds maintenance, including accuracy of coding used and the basis for overhead apportionment to areas such as fly-tipping, graffiti & management.				
Background:	<p>The Council is responsible for the estate cleaning and grounds maintenance for over 400 estates and 1,500 blocks of building within the borough. There is a Partnership and Service Level Agreement between the Cleansing/Grounds Maintenance department and the Housing department, which sets out the areas of service to be provided. The Cleansing and Grounds Maintenance department is split into four areas (North West, North East, Central and South) and resources are specifically assigned to cover areas such as fly-tipping and graffiti removal. The schedule of works and the performance standards are agreed every year. ad hoc work is added throughout the year and invoiced separately. The cost of the ad hoc work is based on the time taken to undertake the task plus the cost of using any vehicles. Before the start of the financial year the Council will send leaseholders an estimate of the amount they are expected to pay. At the end of the financial year the Council will prepare their final accounts and calculate the actual cost of providing the service and either send an updated invoice for any extra charge or apply a credit to accounts. The Council performs regular inspections to monitor the quality of the service in addition to regularly reviewing the number of complaints, response times to service requests and health and safety.</p>				
Areas of strength:	<ul style="list-style-type: none"> • There are strong processes in place to ensure residents are kept informed of the estimated and actual cleaning and grounds maintenance charges, via information on the website, the tenants handbook, estimated and actual service charge bills and supporting literature explaining the service charge. • Monthly estate inspections are carried out by Resident Service Officers and recorded. Where estates were graded below 7/10, action was taken to address the areas of poor performance and return the estate to the required score of seven or higher. • A sample of Ad-Hoc works outside of the Service Level Agreement (SLA) were reviewed and it was found that all were supported by signed quotes from the officer raising the works and the relevant cleaning team. • Budget variances are reported to directors on a monthly basis to ensure budgets are appropriately monitored. Against an outturn of £21,252,000 for 2022-23 there was an overspend of £11,000 reported in month 12. 				

Areas of concern:

- The SLA is currently out of date having not been renewed since 2020-21.
- Annual budget setting for Estates Cleaning and Grounds Maintenance consists of adding inflation and new staffing costs to the previous year's budget. Efficiencies have not been sought in the budget since 2009-10.
- The SLA stipulates that client/contractor monitoring meetings are carried out on a quarterly basis. It was determined that these meetings had not been taking place.
- While ad-hoc orders tested were supported by quotes, it was found that different templates were being used which provide differing amounts of costing information.

GA35 Payments to Individuals outside of PAYE and IR35 January 2024	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS					
	Design	Operational effectiveness	High	-				
			Medium	-				
	N/A - Advisory	N/A - Advisory	Low	-				
Purpose of review:	To review the control framework across the Council with regards to compliance with IR35 requirements in terms of employment status. In considering the risks stated, we assessed the Council's arrangements against the HMRC guidance.							
<p>Background:</p> <p>Legislation was introduced in the public sector from 6 April 2017 whereby any intermediaries engaged for work with an organisation would need to be assessed using HMRC's Check Employment Status Test (CEST) tool. Where an intermediary was determined to be within the scope of IR35, the intermediary would need to be added to the payroll with tax/NIC withheld on payments to the intermediary. In cases where an organisation engages with a self-employed individual, the organisation would also need to use the CEST tool to assess whether the engagement could be considered one of deemed employment or not. Where it was a deemed employment, the organisation would be required to treat the individual as an employee, add them to payroll and withhold tax/NIC from payments made to them. The CEST is required to be completed prior to work commencing. Where an organisation has failed to use CEST to assess the intermediary under IR35 or the employment status of a self-employed individual, the Council could be liable to the tax and NIC that has not been withheld on fees paid to the intermediary or individual. HMRC will also apply interest to the amount outstanding and may also apply penalties of up to 100% of the amount at risk.</p> <p>Findings:</p> <ul style="list-style-type: none"> • Our review of the off-payroll working arrangements at the Council found several major improvements are needed to ensure the council can demonstrate compliance with off-payroll working requirements. • We found several expected key controls were not in place in line with HMRC guidance with possible improvements identified for others. • The table below summarises the results from the gap analysis we completed between the Council's procedures and HMRC and good practice guidance from BDO's tax experts. From ten key controls, we identified that: <table border="1"> <tbody> <tr> <td>Key controls not in place</td> <td>5</td> </tr> <tr> <td>Key controls where possible improvements were identified</td> <td>5</td> </tr> </tbody> </table>					Key controls not in place	5	Key controls where possible improvements were identified	5
Key controls not in place	5							
Key controls where possible improvements were identified	5							

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- Without the existence and operation of key controls, the Council is less likely to comply with off-payroll working requirements, exposing it to a higher level of financial risk, for example through an increased tax liability following incorrect assessments.
 - In November 2022, HMRC had sent an information request to the Council, asking for details about the number of off-payroll workers they have been engaging with and whether any of them have been deemed as employees and added to payroll. None have been added and this has been reported appropriately. A response was provided to HMRC in March 2023, to date no further correspondence has been received from HMRC, and it has not been followed up with HMRC by the Council.
 - The Council's IR35 guidance does not include sufficient detail on roles and responsibilities of all teams involved and mandatory guidance on areas such as personal service companies and dispute resolution. There are consequently significant gaps in the documented procedures and control framework leaving staff unaware of their responsibilities.
 - Sufficient training is not provided to all Hiring Managers, Procurement and HR staff to ensure they are aware of how to perform CEST assessments correctly and comply with all IR35 regulations.
 - A central record of all contracts is not maintained and therefore it is not possible to monitor the off-payroll engagements to ensure there are no changes to arrangements.
 - There are no review mechanisms or reporting in place for the CEST assessments or off-payroll engagements.
 - Through our sample testing of contractors, we identified that status determination statements were not issued for any contractors once CEST assessments were completed.
 - A process for dispute management is not in place.

H17 Statutory Disrepairs January 2024		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	-
		Moderate	Moderate	Medium	3
				Low	1
Purpose of review:	To provide assurance over the adequacy of the statutory disrepairs programme to ensure these are completed within the required timescales and to the required standards.				
<p>Background: Housing disrepair refers to rented property that is in clear need of repair to comply with Section 11 of Landlord & Tenant Act 1984. It also includes the Homes (Fitness for Human Habitation) Act 2018 and Defective Premises Act 1972. If a landlord fails to carry out remedial work within a reasonable amount of time to the required standard, then this can be considered housing disrepair. The Disrepair Protocol sets the stages that tenants need to follow to make a compensation claim against the landlord in the event of housing disrepair. Before the Protocol can start, the landlord must receive notification about the disrepair and be given enough time to deal with it. The courts expect legal action to be the last resort and will expect parties to have considered arbitration to resolve the dispute before it reaches the claim. The Council currently receives 84 claims a month, up from 57 claims in 2022-23 and 20 claims in 2018-19. The Council has closed 176 cases over the first quarter of 2023/24 and the overall case volume stands at 1,026 claims. The Council uses ICasework to monitor cases. In 2022-23 the Council spent around £4m in compensation and legal fees and the current year to date cost per claim is below the target of £6,643. Central Government has plans to reform disrepair costs and is looking to introduce fixed costs, however this will not be introduced until the end of 2025 at the earliest</p> <p>Areas of strength:</p> <ul style="list-style-type: none"> • Procedure documents were in place highlighting the processes of both Tier 1 and Tier 2 disrepair claims. Each document outlines an overview of the processes involved as well as those responsible for implementing actions. • We reviewed the ICasework system and found it contains built in input controls, with key tasks needing completion before the next phase is started to ensure the important tasks are completed. Officers are easily able to determine timeframes for outstanding actions and see if they are overdue or within target. • A sample of three disrepair cases that went to court were reviewed and we found complete case files are in place with all relevant documents saved. A very low proportion of cases are taken to court with only seven cases taken to court in the last year. For context 345 cases had been closed in the first five months of 2023-24 financial year. • We confirmed that fortnightly disrepair reviews are now taking place with a disrepair improvement log reviewed and updated with actions aimed at reducing demand and clearing the current caseload. 					

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- For a sample of 10 disrepair claims we determined that all had their compensation calculated in line with the Council's processes and legal advice, with an audit trail kept documenting the process.
 - We reviewed three months' worth of Housing Departmental Performance Reports which all gave a commentary on the months' work and provided statistics on: the number of open cases, average monthly closure, closed by opening year, percentage closed before court stage and average costs in relation to disrepair cases. The reports are copied to the Assistant Director. Given to the Strategic Director of Housing and distributed to heads of service/directors.

Areas of concern:

- A control gap was identified in the ICasework input controls with acknowledgement of cases not being included as a key task that requires completion.
- Throughout the disrepair process there are several timeframes that need to be adhered to by the Council. In reviewing a sample of 10 disrepair cases we identified where evidence of acknowledgements, arrangement of inspections, producing landlord responses and completion of work were not completed within the required timeframe.
- The Housing Departmental Performance Reports highlight that the team is under significant pressure because of a dramatic increase in disrepair claims being made, reportedly up 400% in the past six years. However, a disrepair improvements log has been produced which makes proposals based both at reducing the number of claims made and making greater resources available to close claims Meetings to review the disrepair improvement log should take place with regularity and be recorded to ensure these actions need to be monitored through to implementation.

Supporting Families Grant Claims 1 October 2023 to 31 December 2023		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	-
				Medium	-
		N/A - Advisory	N/A - Advisory	Low	-
Purpose of review:	In accordance with the Supporting Families Programme Guidance, we sought to verify a representative sample of 10% families that the Council has supported, before the claim is submitted, to confirm the eligibility of the payments by results being claimed.				
Background:	<p>The Supporting Families Programme launched in March 2021 and builds on the previous Troubled Families programme. Its focus is on building the resilience of vulnerable families, and on driving system change so that every area has joined up, efficient local services which are able to identify families in need and provide the right support at the right time. Supporting Families is committed to strong multi-agency local partnerships in every area with mature local and national data systems. This means investing more in good practice, overcoming barriers to data-sharing, and involving the voice of families in service design and commissioning. The programme falls under the joint remit of the Government's Department of Education and the Department for Levelling Up, Housing and Communities. The programme's aim is to have a positive impact for individual families, across public services and for the rest of society. The guidance 2022-25, issued by MHCLG, applies to the Council's claims from 31 July 2023 and has been applied in this audit. The Council receives £800 for each claim under the Payment by Results process. The anticipated number of claims for 2023-24 is 676, resulting in grant funding of £540,800.</p>				
Conclusions:	<ul style="list-style-type: none"> For the period 1 October 2023 to 31 December 2023, we reviewed a sample of 18 claims (10%). We verified with reference to evidence that the summary of extracts and data correspond to the reasons why the family is considered a successful outcome. For each child of school age in the family, we confirmed that they achieved at least two consecutive terms of attendance over 90%. Of our sample, we identified no exceptions to prevent submission. We selected eight of the 18 claims (over one-third of our sample), to confirm the Council's assertions against primary data. For the eight cases we reviewed in Mosaic, we identified no discrepancies between the source data and the successful outcome assertions provided by the Council. 				

Objection Review - Fair Community Housing Services (TMO) January 2024		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	4
		N/A - Advisory	N/A - Advisory	Medium	11
				Low	3
Purpose of review:	The Council engaged us to conduct an advisory review to support the External Audit report on the elector's objection and independently verify the Council's response to the queries raised.				
<p>Background:</p> <p>FCHS is one of 17 Tenant Management Organisations (TMOs), which the Council funds to run services and provides local offices. Formed in 2004, FCHS is responsible for seven estates located in the North of the London Borough of Southwark, situated along Tooley Street between London Bridge and Tower Bridge.</p> <p>As with other TMOs, the MMA is monitored on behalf of the Council by the Tenant Management Initiatives (TMI) team within the Resident Services Department of the Housing Directorate. The Council's ability to monitor and at times step in and direct TMOs in terms of non-performance is Chapter 8 which is entitled "Performance, Monitoring and Reviewing of Standards". The seven clauses in this chapter cover areas such as The TMO's Performance Standards, The Council's Performance Standards, Regular Monitoring and Development Meetings, Annual Review, Equal Opportunities Monitoring and Five-Year Review.</p> <p>FCHS has received approximately £700k per annum in funding from the Council since its formation. Within this funding, FCHS has received £1.7m between 2008 and 1 November 2022 in respect of external decorations. FCHS has reported expenditure totalling £680,360 relating to external decorations. The latter is ringfenced and earmarked under the terms of the MMA to be used only for specific intended purposes.</p> <p>In 2021-22, the Council took the decision to take responsibility back for the completion of external decorations, and as part of this, the claw back of any unused monies within TMO earmarked reserves.</p> <p>Under the MMA, TMOs are required to produce audited financial statements within six months of the end of the financial year (by 30 September).</p> <p>A formal objection to the Council's annual statement of accounts 2021/22 was initially emailed by an elector within the borough and leaseholder of FCHS to the Council's Chief Accountant on 17 September 2022. The primary concern of the elector related to the use of funding provided by the Council for external decorations work, and that this had not been ringfenced and utilised for the purposes intended and no external decorations work had been completed with the approximate £1.8m funding but that it had been used for unintended purposes such as overheads, unauthorised overtime etc.</p>					

Our review included assessing whether the funding allocated to FCHS for external decorations had been used for its intended purposes, the monitoring completed by the Council to ensure that the funding was being used correctly more widely compliance with the MMA. We also considered whether the Council has feasible plans in place in relation to the balance between the funds assigned and used in error, including whether leaseholders are required to pay for the external decorations again.

Areas of strength:

- Section 5 of the MMA states the Council shall appoint a liaison officer between the Council and the TMO. Discussions with officers confirmed this is the TMI Team Leader and their subordinates.
- The MMA states the TMO shall provide the Council with a copy of the accounts and balance sheet for the previous financial year audited by a qualified auditor. We confirmed the Council received this for four out of the last 5 years. At the time of testing the audited accounts had not yet been received for 2022.
- We obtained the housing stock condition surveys for all properties managed by FHCS. We reviewed the surveys, and they show stock condition data including information on when attributes were installed, had works done and when they are next due for repair. The surveys do not make any recommendations regarding notices of dilapidation.

Areas of concern:

- We found the Management Modular Agreement (MMA) did not clearly define roles and responsibilities for external decorations.
- The Council does not have evidence to confirm any training they have provided to the TMO around its the management and associated responsibilities. There is no oversight from the Council of whether training is provided by TMOs to their staff, or the quality of any training given.
- Allocation of funding to the TMO is not always clearly detailed for what purpose it is for making it difficult for the TMO to know what amounts were for external decorations and shouldn't be spent.
- We received limited evidence from the TMO regarding how they had spent the external decorations money and therefore cannot confirm that the £1.7m received from the Council between 2008 and 1 November 2022 or the £680,360 reported as being spent on external decorations was spent appropriately.
- Throughout our testing Council officers could not provide full supporting evidence to show the TMO complied with the MMA of the Council had executed its contract monitoring responsibilities adequately. They stated this may be due to some of it being saved on the personal drive of an Officer who was on extended leave.
- Our testing of the last five years financial information could not evidence that Council officers received a copy of the TMO's budget at the start of the fiscal year to scrutinise.
- Our testing of a random sample of five quarters from the last five years failed to confirm Council officers obtained and reviewed evidence of the TMO quarterly revenue report in line with the MMA.
- The MMA in operation from 2004 to 2021 stated the TMO should have a separate bank account for major works. The TMO did not have this, and Council officers failed to spot the omission, which may indicate that the TMO compliance with the MMA was not being adequately monitored.

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- Our testing of a random sample of quarters from the last five years failed to confirm Council officers regularly attended TMO Board meetings.
 - Our testing of a random sample of quarterly Board meetings from the last five years confirmed Financials are not included as a standard agenda item to ensure it receives regular and appropriate scrutiny.
 - The Council conducts random sampling as part of its monitoring regime. However, this is reactive when an issue becomes known to the Council as opposed to proactive.
 - The MMA states the appointment of external auditors must be done annually by Members of the Board and arrangements should be reviewed every three years by requesting quotes from alternative auditors. Evidence was not provided to confirm the appointment of the external auditors in 2019 or that a three-year review was conducted in 2015.
 - Council officers could not confirm or provide evidence they reviewed and implemented the recommendations from the external consultant's report.

TMO Haddonhall Tenants Management Organisation January 2024	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
	Design	Operational effectiveness	High	-
	Moderate	Moderate	Medium	4
			Low	-
Purpose of review:	To provide assurance over the adequacy of the design and operational effectiveness of the controls in place 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.			
<p>Background:</p> <p>The Council has 17 Tenant Management Organisations (TMOs) comprising 4,609 properties of which 2,972 are rented by Council tenants and 1,637 are leasehold or freehold. The Council funds the TMOs to run services and provides local offices. TMOs employ their own staff to provide the housing management services for the residents. The Council has a Modular Management Agreement (MMA) in place with each TMO, and these agreements are monitored on behalf of the Council by the Tenant Management Initiatives (TMI) team within the Environment and Leisure Department. The agreements outline the services that each party is responsible for in the management of housing stock.</p> <p>TMOs are distinct legal bodies, with the protection of limited liability for members. An elected Management Committee, comprising local tenants and leaseholders, runs the TMO and represent the residents and set the priorities. Any savings a TMO makes can be spent in line with the wishes of the local community. Within Haddonhall Co-operative, there are a total of 169 dwellings of which one third are owned by leaseholders and freeholders.</p> <p>Areas of strength:</p> <ul style="list-style-type: none"> • Haddonhall TMO has an up-to-date Finance Policy, which was approved by the Management Committee. The Policy clearly outlines all aspects of procurement, approval, and financial limits. • We reviewed the last three Management Committee meetings and last two Performance and Finance sub-committee meeting minutes and are able to conclude that budget monitoring is being undertaken on a regular basis. • We confirmed through observation that the cheque book is securely stored. Transactions are regularly monitored through bank reconciliations. • Our testing found that all credit card expenditure transactions were being monitored. Adequate supporting documentation was retained on file to support transactions, which had been approved by the appropriate authority. • Our testing confirmed that debts are being recovered in accordance with agreed procedures. 				

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- Our testing found that repairs were completed in accordance with agreed procedures and the MMA.
 - We reviewed the process for leasing to 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.
 - We reviewed the one new employee's contract and confirmed that it had been signed and dated, with all ID checks and bank checks completed prior to employment commencing.
 - The MMA outlines the arrangements between the Council and the TMO in terms of managing leaseholders and service charges, which we found to have been followed.

Areas of concern:

- Invoices for purchases at the TMO were not signed in line with the requirements of the Finance Policy.
- A standalone terms of reference is not in place for the Management Committee. Therefore key governance requirement such as the roles and responsibilities of members, frequency of meetings and quorum requirements are not documented.
- Not all members of the Management Committee had signed a declaration of interest form.
- A staff handbook is in place, but we found that it was last reviewed in September 2020. An Equal Opportunities Policy is in place, but it has not been reviewed since March 2020. A Staff Appraisal Policy is not place.

ENG28 Tree Management Services January 2024		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design	Operational effectiveness	High	-
		Moderate	Moderate	Medium	4
				Low	-
Purpose of review:	To provide assurance over the adequacy and effectiveness of the controls to manage trees across the borough, such that the safety and wellbeing of residents is maintained.				
<p>Background:</p> <p>There are 90,000+ trees in the borough excluding areas designated as woodland, those managed by Transport for London, trees located within residential gardens and those on other private land. Southwark has estimated the financial value of its trees to be £2,629,973,096 (based upon existing survey information), using the Capital Asset Value for Amenity Trees (CAVAT) method, which provides a strategic tool for the management of tree stock as a whole, as if it were a financial asset of the community. Trees in Southwark are facing significant challenges both because of the urban nature of the environment in which they grow and because of environmental challenges such as pests and diseases. The tree management policy and TRMS set out how the Council intends to mitigate these challenges.</p> <p>The Council’s vision for the management of its tree stock is set out in its Tree Management Policy 2020-25, Tree Risk Management Strategy (TRMS), 2019 and Southwark’s Transport Strategy 2023-30: Streets for People. The Tree Section is within the Environment, Neighbourhoods and Growth (ENG) Directorate and is responsible for surveying, recording of information, maintenance, and planting of the borough’s trees as well as dealing with enquires and insurance claims. Survey results are input to the infrastructure asset management system, Confirm, and plotted on Southwark Maps, an interactive mapping system. To prevent inappropriate pruning or damage to important trees, a Tree Preservation Order (TPO) register is maintained by the planning department.</p> <p>Areas of strength:</p> <ul style="list-style-type: none"> • Governance framework: There is a comprehensive governance framework, clear structural arrangements, and reporting lines in place, which are set out in the Tree Management Policy and Tree Risk Management Strategy (TRMS). Through the Tree Management Board, we found regular performance monitoring and reporting during 2023-24, to provide oversight and support by senior management. • Operational policies, risk management and procedural guidance: The policies and TRMS are underpinned by comprehensive procedural guidance. All have been reviewed and updated regularly to incorporate tree management regulations and standards, including guidance on obtaining necessary traffic permits, and required documentation to support effective decision-making. 					

- **Tree planting:** The Council is undertaking large tree planting programmes in association with climate change mitigation. Approved Gateway documents dated 9 October 2023 regarding the 2023-24 tree planting programme state that 17,000 new trees against a 10,000-target announced by Cabinet were planted in 2020-21 and 2021-22. Following this success, a new Target has been set to plant a further 20,000 trees by May 2026.
- **Biosecurity protocols:** The Council's procurement strategy and contract award for the tree planting nursery supply for the 2023-24 tree planting programme state that there are auditable biosecurity protocols to prevent the spread of pests and diseases. It should be noted that validation checks to confirm compliance with the stated biosecurity protocols, as agreed with the Tree Services Manager, were outside of the scope of this internal audit review.
- **Pests and diseases:** We confirmed that sightings of pests and diseases, including Chalara ash dieback, Massaria disease of London plane, and oak processionary moth (OPM), as well as where there are live works occurring, are plotted on the Southwark interactive mapping system, that we were informed, is updated daily.

Areas of concern:

- **Time sensitive tree works completion:** From our sample testing, we found that emergency, urgent, and other time sensitive tree works are managed by the LBS team as call outs, however, the jobs were not being closed in Confirm to demonstrate completion by the target due dates.
- **In addition, the tree works undertaken in the period July to September 2023 totaled 10,618. Of these, 1,424 were completed by the Council's teams and 9,194 by contractors. However, our review identified that no benchmarking has been undertaken to identify the procedural similarities and differences between the Council's teams and contractors, and opportunities for improved productivity, efficiencies, and economic savings, although a key procedural difference had been identified regarding the use of temporary traffic management arrangements which are implemented to facilitate maintenance activities.**
- **Quality monitoring and review of tree works:** There is no structured process to evidence the ongoing quality monitoring and review of tree works.
- **Case management:** The case management history of trees implicated in public liability claims is not readily traceable to the unique tree reference number and works history maintained on the Confirm system.
- **Tree failure in residents/tenant's gardens:** There was a tree failure on a housing estate which resulted in property damage to a garden fence and debris falling on or close to children's toys in a garden. Our review identified there was no previous condition inspection or maintenance history linked to the tree. In addition, we were informed that the Council does not inspect the trees in residents/tenant's gardens, only those that are in communal areas. There are 17,000 trees on the borough's estates.

5. SUMMARY OF RECOMMENDATIONS STATUS

The chart shows the relative percentages for each year from 2020-21 to 2023-24.

Of the 507 high and medium recommendations relating to 2017-18 to 2023-24, that have fallen due as of 18 January 2024, we have confirmed with reference to evidence that 452 have been fully implemented or superseded, representing 89%, the same rate as reported in November 2023.

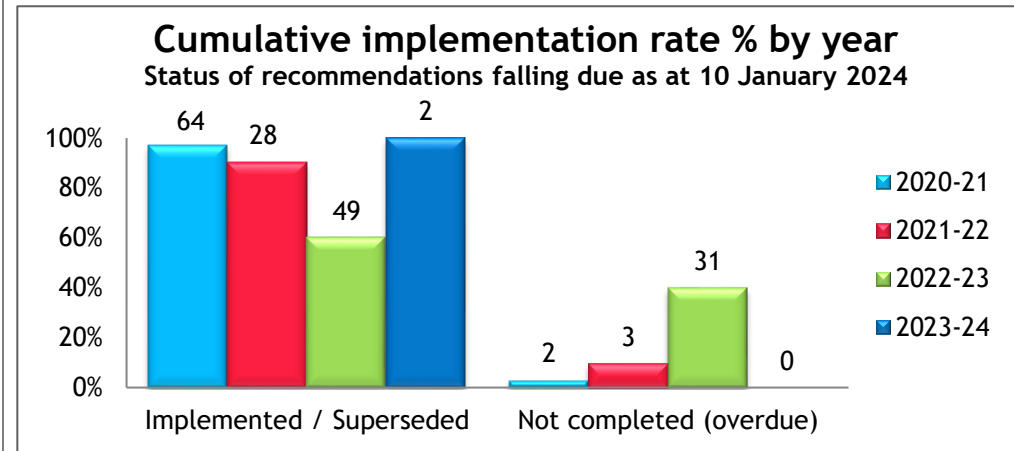
However, several recommendation target dates for 2022-23 audits are continuing to be revised multiple times, which is preventing a better implementation rate.

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

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 - LONGSTANDING OVERDUE

Audit Area	Total High & Medium recommendations due for implementation	Implemented		In progress at the follow up date		Awaiting update, revised date, or evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
2020-21 Audits									
Environment, Neighbourhoods and Growth Directorate									
2020-21 Community Infrastructure Levy <i>As officers reported in June 2023 meeting, recommendation will be implemented by the end of March 2024.</i>	1	-	-	-	1	-	-	0%	December 2020 July 2021 March 2024
2020-21 South Dock Marina <i>Please refer to latest update.</i>	1	-	-	-	-	1	-	0%	June 2022 November 2022 March 2023 March 2024
2021-22 Audits									
Finance Directorate									
2021-22 Software Asset Management <i>Please refer to latest update.</i>	4	-	3	-	1	-	-	75%	March 2022 September 2022 December 2022 June 2023 August 2023 November 2023 March 2024
Housing Directorate									
2021-22 Cooper Close TMO <i>Please refer to latest update.</i>	3	-	1	-	2	-	-	33%	April 2022 July 2022 November 2023 March 2024

RECOMMENDATION IMPLEMENTATION RATES BY AUDIT WHERE NOT YET FULLY COMPLETED

Audit Area	Total High & Medium recommendations due for implementation	Implemented		In progress at the follow up date		Awaiting update, revised date, or evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
Assistant Chief Executive's Department - Governance and Assurance									
2022-23 Complaints	2	-	1	-	-	1	-	50%	March 2023 August 2023 December 2023 Awaiting response
2022-23 Payroll and HR	2	-	1	-	1	-	-	50%	July 2023 September 2023 January 2024 March 2024
2022-23 Supplier Resilience	5	1	3	-	2	-	-	60%	August 2023 October 2023 January 2024 March 2024
Childrens and Adults Directorate									
2022-23 SEND Finance	7	-	1	4	2	-	-	14%	January 2024 May 2024
2022-23 Mental Health	2	-	1	-	1	-	-	50%	October 2023 December 2023 March 2024
2022-23 Safeguarding Adults	2	-	-	-	2	-	-	0%	November 2023 January 2024 March 2024
2022-23 Mosaic Payments	3	-	2	-	1	-	-	67%	March 2024

Audit Area	Total High & Medium recommendations due for implementation	Implemented		In progress at the follow up date		Awaiting update, revised date, or evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
Environment, Neighbourhoods and Growth Directorate									
2022-23 Library Services	4	-	3	-	1	-	-	75%	September 2022 April 2023 July 2023 September 2023 December 2023 March 2024
2022-23 Cemeteries and Crematoria	4	-	2	-	2	-	-	50%	30 June 2023 December 2023 March 2024
2022-23 Markets	3	-	-	-	3	-	-	0%	September 2023 April 2024 June 2024
2022-23 Parking Management and Estates Parking Permits	5	-	-	3	2	-	-	0%	January 2024 March 2024
Finance Directorate									
2022-23 Insurance	2	-	-	-	2	-	-	0%	December 2022 July 2023 September 2023 January 2024 March 2024
2022-23 Software Licensing Management	5	-	1	-	4	-	-	20%	February 2023 July 2023 October 2023 March 2024

Audit Area	Total High & Medium recommendations due for implementation	Implemented		In progress at the follow up date		Awaiting update, revised date, or evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
2022-23 Accounts Payable	3	-	-	-	3	-	-	0%	July 2023 September 2023 April 2024
2022-23 Pensions Administration	2	-	-	-	2	-	-	0%	June 2023 October 2023 March 2024
2022-23 Housing Rents	4	-	2	-	2	-	-	50%	October 2023 February 2024 March 2024
2022-23 General Fund Capital - Expenditure Management	3	-	-	-	-	-	-	0%	February 2024 April 2024
Housing Directorate									
2022-23 TMO - Brenchley Gardens	8	-	-	7	1	-	-	0%	November 2023 March 2024

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 these have been provided. The table excludes recommendations that have not fallen due or where no update has been provided.

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
Governance and Assurance Directorate		
2022-23 Complaints		
<p>1.6 The Complaints Team should conduct spot checks (we recommend six-monthly) on a sample of cases to assess whether all the required documentation such as an acknowledgment letter and a decision letter is retained onto the system, a caseworker is assigned within one week of the complaint received date and that a decision has been communicated within the set timeframes. If there have been delays, the Complaints Team should ensure adequate evidence of communication with the complainants is retained. The results of these spot checks and consistent non-compliance should be included in the periodic management report.</p> <p>High</p>	<p>Operations Manager/Complaints Manager</p> <p>February 2023/March 2023</p> <p>August 2023</p> <p>September 2023</p> <p>December 2023</p> <p>To be followed up in March 2024</p>	<p>We did not receive a response to our request for an update on 13 December 2023 and reminder on 10 January 2024.</p> <p>The previous updated obtained was that:</p> <p>1.6 - The Complaints Manager confirmed that the recruitment of a Quality and Performance team will commence at the end of October. It is proposed that the spot checks will be reported on at the next quarterly CMT report.</p>
2022-23 Payroll and HR		
<p>1. The Principal SAP Officer should complete a full walk-through of payroll processes with the HR Business Team Strategic Lead, to ensure that a meaningful final review and approval of the monthly payroll runs can be completed.</p> <p>2. Following this, the approval and confirmation process should be established to ensure that roles and responsibilities are clearly defined. A supporting payroll review officer should be confirmed to mitigate against the risk of staff absence.</p> <p>Medium</p>	<p>Head of HR Operations/Principal SAP Officer</p> <p>1 July 2023</p> <p>September 2023</p> <p>January 2024</p> <p>March 2024</p>	<p>1. The Head of HR confirmed that the full run-through of the payroll processes for all three payrolls was undertaken with the Head of HR Operations. This included identification of supporting documents that form part of the approvals process for the various process steps. We are currently awaiting evidence to verify completion.</p> <p>2) The Head of HR confirmed that the approval and confirmation process as outlined will be fully documented as part of an overarching documentation exercise of all payroll processes. This will also identify accountable individuals, plus their understudies should the principal individual be unavailable. The due date for this action has therefore been revised.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>1. The review of the overpayments procedure document should be completed to ensure guidance regarding sufficient and timely recovery action is in place. This recommendation was raised in the 2021/22 audit and has rolled over into this audit.</p> <p>2. Staff should be briefed on the reviewed procedure to ensure it is adhered to. This recommendation was raised in the 2021/22 audit and has rolled over into this audit.</p> <p>3. The Council should introduce a KPI to ensure recovery action for overpayments is monitored, such as a KPI for the time taken for overpayments to be added to the managed debt process.</p> <p>Medium</p>	<p>Head of HR Operations/Principal SAP Officer</p> <p>4 October 2023 January 2024 March 2024</p>	<p>1. The Head of HR confirmed that review of the overpayment procedure has identified the proposed debt recovery/management processes are appropriate to meet business needs. Relevant process guidance is being created to support the procedure.</p> <p>2. Aligned with the above work an appropriate briefing familiarization session will be prepared and delivered to the HR&OD team on debt avoidance and management.</p> <p>3. A meaningful KPI will be submitted to the Director of People and OD for approval for use within the HR&OD service. This process will also seek direction from the Director of People and OD on the potential use/wider publication of this KPI as part of range of KPI's in the people space.</p>
2022-23 Supplier Resilience		
<p>4.2 Ensure Southwark Construction have an up-to-date business continuity plan in place, which includes key suppliers.</p> <p>Medium</p>	<p>Lead Contract Officers/Chief Officers for all Strategic Contracts</p> <p>Director of Southwark Construction</p> <p>Corporate Risk and Insurance Manager</p> <p>July 2023 31 October 2023 March 2024</p>	<p>We were advised by the Emergency Planning and Resilience Manager that business continuity (BC) plans are now completed in a standard format across the organisation. Completed plans are held on standalone BC software package maintained by the emergency planning team but the plans are departmentally owned. Within the planning process each departmental lead BC officer is required to consider the business continuity plans of their key suppliers. The process is ongoing and reviewed at least annually. We requested a copy of the Southwark Construction BCP and are awaiting receipt before marking this recommendation as complete.</p>
<p>7.1 Ensure all contracts include Key Performance Indicators to measure the performance of the supplier.</p> <p>7.2 Ensure all contract managers regularly monitor performance of the supplier in line with the contract.</p> <p>Medium</p>	<p>Chief Officers / CMT</p> <p>Strategic Director of Finance and Assistance Chief Executive - Governance and Assurance</p> <p>August 2023 September 2023 January 2024</p> <p>To be followed up in March 2024</p>	<p>The Head of Procurement advised that a review of Contract Management has been on-going since November 2023. It is presenting findings and recommendations on next steps to CMT 23 January 2024. The Procurement Act scheduled date to come into force is currently October 2024.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
Children's and Adults Directorate		
2022-23 Safeguarding Adults		
<p>Team management should complete quarterly sample checks to ensure referrals are completed and documented appropriately. Where issues are identified training should be implemented for the team or individuals to ensure these are resolved.</p> <p>Medium</p>	<p>Team Manager - Safeguarding and DOLS - Adult Social Care</p> <p>31 August 2023 January 2024 March 2024</p>	<p>The Principal Social Worker and Strategic Lead for Safeguarding Adults and DoLS advised that the Team Manager recently left the Council, and a new Lead has yet to start. However, this piece of work should continue in mid to late February 2024 following the start of the new Lead, and the Council is aiming to deliver the recommendation by the next AGSC meeting.</p>
<p>The Performance and Quality Team should undertake monthly audits focusing on safeguarding to ensure that any issues are identified and resolved by the team.</p> <p>Medium</p>	<p>Team Manager - Safeguarding and DOLS - Adult Social Care</p> <p>31 August 2023 January 2024 March 2024</p>	<p>The Principal Social Worker and Strategic Lead for Safeguarding Adults and DoLS advised that the Team Manager recently left the Council, and a new Lead has yet to start. However, this piece of work should continue in mid to late February 2024 following the start of the new Lead, and the Council is aiming to deliver the recommendation by the next AGSC meeting.</p>
2022-23 Mosaic Payments		
<p>3.2 On a six-monthly basis, and during the annual uplift process, the Payments Team should review the payment rates applied to providers and ensure its correctness prior to processing the uplifts.</p>	<p>Head of Service</p> <p>31 March 2024</p>	<p>We were advised that this is in progress and the Service Manager for the Personal Budgets Service has devised a methodology to carry out a quarterly check for rates where uplifts haven't been applied. In addition, a sample of cases will be reviewed on a quarterly basis to check that the correct uplift rate was applied.</p>
2022-23 Mental Health		
<p>2.1 The Council should complete a review of all placements currently ongoing and ensure that any placements that have been in place for longer than 12 months have been subject to an annual review which has been passed to Panel for review.</p> <p>2.2 The next review date following the initial assessment should be included into Mosaic to allow for reports to run detailing when placements are close to being due for an annual assessment. This should be communicated with the Performance & Quality Data Team so they can include this information in the management information currently provided. If this is not feasible due to the functionality of Mosaic, then we recommend that spot checks</p>	<p>Heads of Service / MOSAIC - manager</p> <p>September 2023 November 2023 To be followed up in March 2024</p>	<p>We did not receive a response to our request for an update on 13 December 2023 and reminder on 3 and 12 January 2024.</p> <p>We were previously advised that the team continues to work towards achieving this and have prioritised those people who due an annual review. As of Sept 2023, 154 cases have had review in the past 12 months.</p> <p>2.2 - The system automatically generates a next review date, so PDQ can run reports from it for sharing with Managers as part of the performance dashboard.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>should be carried to ensure that placements have been reviewed annually.</p> <p>Medium</p>		
2022-23 SEND Finance		
<p>2.1 Officers should regularly reconcile invoices against the amounts due as per the authorised costing forms to confirm they are accurate for the period detailed on the invoice. The spreadsheet should include details of the funding amount per term and the daily amount to enable the funding period recorded on the invoice to be checked and confirmed before payment is made.</p> <p>2.2 The SEND Finance Team should ensure that invoices are paid within the terms set by the placement providers and in accordance with the terms and conditions of the Dedicated Schools Grant in relation to top-up funding. Where there are delays in making a payment or the invoice is disputed, the reason for the delay should be recorded on the invoice and the spreadsheet and the provider should be notified of when to expect a payment.</p> <p>2.3 Payments should be made more frequently, for example, termly at least, to those providers who are currently only paid twice a year. Consideration should be given to the following to assist in the payment of invoices more frequently: use of Mosaic system; raising of blanket Purchase Orders to providers; encouraging providers to join a framework where they are paid a monthly amount.</p> <p>2.4 The consolidation of the data in the Capita system will help to improve the accountability and approval to mitigate the risk of inappropriate payments. In addition, the production of regular aged creditors report would assist in the follow-up of non-payments to providers.</p> <p>High</p>	<p>Assistant Director for SEND</p> <p>January 2024</p> <p>May 2024</p>	<p>The Assistant Director for SEND advised that a working group is due to be established to monitor progress of the audit recommendations due to some slippage in the timescales originally provided. We were advised that the following actions are planned to be completed:</p> <p>2.1 A detailed end-to-end review of the SEND finance process, tracking and monitoring arrangements will be undertaken. An analysis of the reasons for disputes will be undertaken to provide a basis for a dispute resolution process and to eliminate any internal cause to payment delays.</p> <p>2.2 A task and finish group across Children and Adults Services is working together to look at opportunities for automation, system improvement aligning best practice across Children and Adults Services. The review will make recommendations regarding the frequency of payments. Commissioning staff will explore opportunities to agree block contract arrangements, including payments, and joining the SEND framework, including the issuance of contracts.</p> <p>2.3 New, modernized performance and monitoring arrangements will be developed using Power BI to assist in the follow-up of non-payments to providers. The working group, as referenced above, will consider whether there are mechanisms to support automation which will highlight non- payment issues.</p>
Environment, Neighbourhoods and Growth Directorate		
2020-21 South Dock Marina		
<p>Both the Council and Marina should work together in order to agree a solution towards paperless working. Whilst we also</p>	<p>Harbour Master</p> <p>June 2022</p>	<p>We were advised by the Divisional Business Manager that the Gateway report has not been sent for sign off. Subject to this, software</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>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 either the Havenstar system (pending relevant modules and system upgrades) or the Marina's shared drive.</p> <p>Medium</p>	<p>April 2024</p>	<p>delivery should be complete by quarter 4 of 2023/24, with a customer go live of quarter 1 2024-25.</p>
2022-23 Library Services		
<p>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.</p> <p>Medium</p>	<p>Library Operations Manager</p> <p>August 2022 March 2023 July 2023 September 2023 December 2023 March 2024</p>	<p>We were advised by the Libraries and Heritage Manager that the cashless payments has now been implemented at a test site pending roll out to all sites. There are some issues with the system being resolved at the test site, and the Council are reliant on capacity in the payments and IT teams to fully rectify before rolling out to all libraries. Date TBC but anticipating roll-out will be complete by March 2024. Current cash collection services are operating as normal with no issues reported.</p>
2022-23 Cemeteries and Crematoria		
<p>1.3 Ensure hardcopy published information meets the needs of Bereavement Services customers, especially those with impairments in accordance with the 2018 accessibility standard.</p> <p>Medium</p>	<p>Sam Rees - Bereavement Services Manager</p> <p>30 June 2023 December 2023 February 2024 April 2024</p>	<p>The Bereavement Services Manager advised that all of the web pages have been reviewed to ensure this, as part of a wider council initiative, all other documentation that is not a statutory document has been withdrawn and reviewed to see what is needed. Once this is complete; draft versions will be sent to comms to meet requirements. We were advised that this action remains in progress given its dependency on a wider Council project.</p>
<p>2.1 Our review supports consideration of developing an e-Booking Service, so applicants can book an appropriate slot and track their appointments online easily, safely, and securely.</p> <p>Medium</p>	<p>Bereavement Services Manager</p> <p>30 September 2023 To be followed up in December 2023 March 2024</p>	<p>We were advised by the Bereavement Services Manager that this action is currently still progressing with IT to move to vendor hosting, DPIA approvals were gained at the end of November and testing will commence shortly, with a view that the process should be completed and implemented by the end of March 2024.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>2022-23 No Recourse to Public Funds</p> <p>1.1 The Council should Investigate fully the reasons why officers do not complete case reviews on time.</p> <p>1.2 Additional controls, such as enhanced strategic oversight and increased monitoring and reporting of reviews, should be introduced to ensure timely completion of case reviews.</p> <p>1.3 A resourced plan should be put in place to address the backlog of overdue reviews and to ensure that sufficient resources are available to complete future reviews on time.</p> <p>High</p>	<p>NRPF Management Team 3 July 2023 31 August 2023 3 November 2023 To be followed up in April 2024</p>	<p>The Community Support Team manager advised us that these actions are in progress:</p> <p>1.1 - Staff changes meant some cases were not completed on time. These vary between staff leaving the council, staff sickness and induction of new staff. The team are implementing that line managers discuss reviews status with their cohort at each supervision.</p> <p>1.2 - The project officer will review the team's Master Case List to ensure better recording which can give increased oversight on a monthly basis. The NRPF team are starting service development to streamline reporting primarily from Mosaic, which kicked off on 16 August 2023.</p> <p>1.3 - As above, the team will be meeting the Divisional Business Manager to look at service development for streamlining the service.</p>
<p>2.1 Regular performance monitoring and reporting should be reintroduced, to report the following information:</p> <ol style="list-style-type: none"> 1. Number of NRPF cases. 2. Number of households. 3. Types of Support 4. Length of Support 5. Analysis of trends / comparisons to previous data periods 6. Outstanding / overdue reviews <p>2.2 Additional officers should be trained on how to monitor and report performance information to provide resilience in case the Community Support Manager is absent for an extended period.</p> <p>Medium</p>	<p>Community Support Team Manager 3 July 202331 August 2023 6 November 2023 To be followed up in April 2024</p>	<p>The Community Support Team manager advised us that these actions are in progress:</p> <p>2.1 - Per the updates provided for actions 1.2 & 1.3, this action is in progress and commenced on 16 August 2023.</p> <p>2.2 - The NRPF team will be reviewed performance in manager's meetings, with an action plan meeting to be held week beginning 6 November 2023.</p>
<p>3.1. A monthly quality control process should be introduced to test a sample of decisions to ensure officers save supporting documentation and the corrects checks have been completed.</p> <p>3.2. Officers should be reminded of the importance of evidencing the decisions they make to confirm compliance with procedures and legislation.</p> <p>Medium</p>	<p>NRPF Management Team 3 July 2023 October 2023 November 2023 To be followed up in April 2024</p>	<p>The Community Support Team manager advised us that these actions are in progress:</p> <p>3.1 - The team have started case monitoring reviewing cases over 5 years old. Managers are to implement quality control as from October 2023 by reviewing a sample of referrals from July to September.</p> <p>3.2 - Case checklist will be implemented - will review checklist for implementation from November 2023.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
2022-23 Markets		
<p>1.1 The Council should review the Markets policy and outline the delegated authority level to remove temporary and permanent licences.</p> <p>1.2 Guidance should be created detailing the documentation to be provided by permanent, temporary traders and operators. This should be published on the Council's website and referred to internally by the Markets Team when conducting documentation checks.</p> <p>Medium</p>	<p>Markets and Street Trading Manager Autumn 2023 January 2024 June 2024</p>	<p>We were advised of the following updates:</p> <p>1.1 Any changes agreed will be taken to licensing Committee in June 2024 after consultation with traders.</p> <p>1.2 The online booking and applications for temp traders and private operators has been implemented. The traders are now booking their weekly / daily pitches and paying through FGL.</p>
<p>2.1 When the annual renewal process is undertaken for the upcoming financial year, a review of all ongoing traders' files should be undertaken to ensure that all supporting documentation has been provided and it is current. If any missing documents are identified, these should be requested prior to the permit being renewed. A confirmation of the review should be provided to the Markets and Street Trading Manager. The renewed licence should be subsequently uploaded on the FGL system.</p> <p>2.2 During the annual renewal process, if insufficient documents are provided by traders, the trader account should be changed from 'live' to 'not live' to achieve consistency in record keeping.</p> <p>Medium</p>	<p>Markets and Street Trading Manager Autumn 2023 April 2024</p>	<p>We were advised of the following updates:</p> <p>2.1 This process is now moving into the final phase on FGL. Permanent operators will be able to renew and pay online. All renewals are now from 1st April 2024, so all traders are renewed at the beginning of the new financial year. All documentation needs to be uploaded before permits are awarded.</p> <p>2.2 This will be in place for permit renewals on FGL.</p>
<p>3.1 The debt recovery procedure document should be updated to include the requirement of attaching all correspondence with the trader on the SAP system, to ensure the Corporate Income & Debt Management Team have adequate information to pursue debts.</p> <p>3.2 The Markets Team should request an update from the Corporate Income & Debt Management Team on a quarterly basis and record this on the list of traders, to ensure that debtors are not missed, and debt recovery actions are initiated.</p> <p>3.3 The Commercial and Administrative Officer should request SAP access to download electronic reports of debtor accounts. If this is not feasible, then these reports should be requested from the Environment & Leisure Finance Team on a monthly basis.</p> <p>Medium</p>	<p>Markets and Street Trading Manager Autumn 2023 April 2024</p>	<p>We were advised of the following updates:</p> <p>3.1 Markets and Street Trading are still working with Finance and SAP. From 1st April 2024, with FGL fully implemented, there will not be any outstanding paper invoices.</p> <p>3.2 This has been implemented and the team are holding monthly meetings with SAP. Debt recovery has been initiated. We are currently awaiting evidence to confirm implementation.</p> <p>3.3 Access and training for commercial and admin officers will commence in November 2024.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
2022/23 - Parking Management and Estates Parking Permits		
<p>1.1 Establish a clear governance framework for parking services, with clear responsibility and accountability for all key financial and operational tasks, including reporting lines for the following:</p> <ul style="list-style-type: none"> • Issuing and administering permit applications • Call centre operations relating to parking. • School crossing patrol officers • Dealing with the early stages of representations and appeals and related correspondence • Debt management and the associated follow up of untraceable vehicles. • Updating and checking the annual schedules of parking fees and charges, price increases and variations, coming into effect ahead of each financial year once approved by Cabinet. <p>1.2 Develop a clear and comprehensive organisational structure chart and ensure this is maintained.</p> <p>High</p>	<p>Estate Parking Portfolio Holder December 2023 March 2024</p>	<p>We were advised of the following updates:</p> <ul style="list-style-type: none"> • The contact centre has an action plan in place regarding the issuing/administration of parking applications. • Agreed action plan for implementation and compliance following meeting with parking team and finance. • Schedules of parking fees and charges have been checked and will be implemented following cabinet approval. • To be implemented - discussion held to discuss the effectiveness of the current arrangement. The Council are exploring the viability of merging street and estate parking services under one service to address the blurred lines in the organisational structure. Further discussions are planned.
<p>2.1 Develop clear procedures to ensure the annual schedules of parking fees and charges, price increases and variations, coming into effect are updated and checked thoroughly ahead of each financial year once approved by Cabinet.</p> <p>2.3 Review and consider publishing comprehensive and detailed schedules of annual parking fees and charges, including price increases and variations on the Council Website.</p> <p>High</p>	<p>Estate Parking Portfolio Holder and Housing Finance Team January 2024 March 2024</p>	<p>We were advised of the following updates that are now expected by March 2024:</p> <ul style="list-style-type: none"> • This would be implemented following cabinet approval. • Fees and charges are relevant to the service and are included on the Council's website.
<p>3.1 Introduce checklists for staff for each parking permit type to guide the completion of appropriate validation checks including the collection, scanning, and indexing of appropriate proof prior to issuing the estates parking permits, ensuring that all proof</p>	<p>Sean Conway/ Ade Aderemi September 2023 March 2024</p>	<p>We were advised of the following updates:</p> <ul style="list-style-type: none"> • A new staff process guide has been developed with clear instructions regarding acceptable documentary evidence for each permit type. The policy for Estate Parking requires formal sign-off with the council's Enforcement Manager prior to issuing an official

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>supplied must be in the same name and address as the permit application.</p> <p>3.2 Introduce quality monitoring control procedures to confirm the validation of the estates parking permits granted to ensure all proof supplied is complete and in the same name and address as the permit application. We recommend that this is undertaken on a sample basis across the range of permit types, monthly. Any high error rates should be discussed, and actions agreed to improve this in future.</p> <p>3.3 Develop a policy and procedure on giving refunds.</p> <p>3.4 The quality monitoring control procedures should include checking for any duplicate permit applications occurring to ensure these are corrected monthly.</p> <p>3.5 Obtain a list of staff with Dash system access. Review staff system access to ensure the access permissions are appropriate in accordance with roles and responsibilities.</p> <p>High</p>		<p>process guide and updating web pages.</p> <ul style="list-style-type: none"> • All documents supplied will be stored virtually and must match the address for which the permit(s) is required. Images/scans of supporting documents provided by residents will reside in the new Imperial system. The provision for two documents per application has been made. The system will also employ Experian for additional verification, stored against applicants' profile. • Contact Centre Productivity and Conformance coaches monitor the above. In addition, the Imperial application has systems in place that will mitigate non-conformance. • A new quality monitoring process specifically for validation of estates permits has been introduced by the quality and training team. The Imperial application has systems in place that ensure validation. • Service and tactical managers above operational grades have oversight of this new process and review regularly. A stringent approvals process in line with mandated policy is in place, rendering this action to be taken on a discretionary basis. • The refunds policy has been revised to ensure there is always a clear and acceptable reason for authorising a refund e.g., tenant moves out of the borough, while the current permit is still valid. Documentary evidence will be required. • At the time of individual permit authorisation, a check is made for a duplicate. The issue of duplicate permits was unique to the Dash platform and will not be possible with Imperial, it will be identified with automation. • For a refund to be granted, evidence of the change e.g., property void date/ proof of sale of second vehicle will be required (first vehicle not currently charged for) • The Business Improvement team compile and maintain a list of active service users that is checked on a weekly basis to ensure that only current staff with authority to do so have systems access. Permission for individuals to authorise permit applications will only be granted after a full understanding of policy and service can be demonstrated.

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
4.6 Budget income targets should be considered for determination in the approved budget. Medium	Robert Egueye/Finance Team January 2024 March 2024	We were advised that Housing has a fixed income budget, but this will be considered as part of the 2024/25 budget process currently underway.
5.1 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 should be scheduled. Medium	Robert Egueye/Finance Team November 2023 March 2024	Housing holds a bad debt provision based on summarised information provided from Environment, Neighbourhoods and Growth, Discussion held with the relevant teams and action plan agreed for write off reports to be completed timely and full schedules provided and write off reports collated and signed. This will be reviewed regularly. We will review the write off schedule at the year end.
Finance Directorate		
2022-23 Insurance		
a) The Risk and Insurance Manager should escalate this again with the IT shared service requesting they provide the necessary documentation to ensure the Council is able to finalise sourcing their cybersecurity insurance. If this is not provided, then this should be raised to the appropriate senior management. Medium	Corporate Risk and Insurance Manager October 22 July 2023 September 2023 January 2024 March 2024	Part a) - We were advised that the Strategic Director of Finance asked the Chief Digital and Technology Officer to conduct a review of current cyber security provisions in place and provide a report partly to see if the Council could meet the minimum insurer requirements as a starting point. This is an ongoing piece of work with the area still being explored. A cyber liability policy can be expensive with insurers often requiring fairly high deductibles, so the Council also needs to be clear on the benefit of putting one in place if there is a large element of self-insurance. We agreed that the position of this action will be reviewed in 2024 for further updates. A further update was provided in January 2024 that this item is still under review, however the Council is not yet in the position to seek quotes with insurers. The position will therefore be reviewed again in March 2024, ahead of the next AGSC.
On a six-monthly basis, a formal review of claims received should be undertaken identifying if there has been an increase in types of claims or locations of claims. These should be discussed at management meetings and reported to relevant departments as necessary to identify actions to mitigate the incidence of claims in the future. Medium	Corporate Risk and Insurance Manager December 2022 June 2023 September 2023 December 23 March 2024	We were advised that the claims handlers' new system was rolled out as expected at the start of December 2023, and training on using the system was scheduled for 14 December 2023. The Council have also modified the coding that claims are assigned to improve accessibility. We will review the operation on the new system at the year end.

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
2021-22 Software Asset Management		
<p>i)Management should carry out an exercise for collecting details and licensing information relating to the Council’s IT applications and update the Council’s application register as necessary. This should include:</p> <ul style="list-style-type: none"> • Business owners assigned to the 53% of applications that do not currently have a business owner • Software version number and the date it was last upgraded • Licencing information, including license type, product keys, location of the installation CD and expiry date. <p>ii)Arrangements should be put in place for the application register to be reviewed on a more regular basis, including the requirement for application owners to report to the Head of IT Applications throughout the year with any corresponding changes documented in the register. This process should also be adopted by services who own their applications when not managed by the central IT application team.</p> <p>Alternatively, management should perform a cost benefit analysis for commissioning an automated software asset management tool to assist with software management.</p> <p>Medium</p>	<p>Head of IT Applications</p> <p>June 2021</p> <p>September 2022</p> <p>December 2022</p> <p>June 2023</p> <p>September 2023</p> <p>November 2023</p> <p>January 2024</p> <p>March 2024</p>	<p>The Head of Applications confirmed that as part of Applications Register Project, Fujitsu working with Southwark application leads and third party software tools to capture relevant info about all Southwark business applications. Due to technical issues with setting up third party software tools, info capture expected to complete by end of January 2024 and upload into applications register expected to complete by end of March 2024. Target project completion date has been revised accordingly.</p>
2022-23 Software Licensing Management		
<p>Processes for the management of software licences, including renewal processes, handling starters/movers/leavers with input from the Council’s HR Service, liaison with business owners, storing licence agreements, monitoring licence utilisation, and updating central monitoring spreadsheets, should be formally documented, and communicated to all relevant staff.</p> <p>Medium</p>	<p>Head of Applications</p> <p>July 2023</p> <p>September 2023</p> <p>January 2024</p> <p>March 2024</p>	<p>The Head of Technology Transformation advised that as part of Applications Register Project, Fujitsu working with Southwark application leads and third party software tools to capture relevant info about all Southwark business applications. Due to technical issues with setting up third party software tools, info capture expected to complete by end of January 2024 and upload into applications register expected to complete by end of March 2024. Target project completion date has been revised accordingly.</p>
<p>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</p>	<p>Head of Applications</p> <p>July 2023</p>	<p>The Head of Technology Transformation advised that this is a live piece of work with a senior stakeholder engagement in place and budget allocated for the delivery of the Software Asset Discovery and</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>relevant license evidence at the point of acquisition should be introduced.</p> <p>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.</p> <p>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.</p> <p>d) Software licence agreements are in place, securely maintained and available for inspection when required for both the Council and STS.</p> <p>Medium</p>	<p>September 2023 February 2024</p>	<p>Capture. The tool that was being planned requires review to ensure that it will deliver the required information and that the ongoing picture is accurate and available. We were advised of a revised due date of February 2024, to allow for completion of applications works.</p>
<p>a) Management should develop a set of performance measurement metrics in relation to software licence management to ensure compliance with the terms and conditions of the licences, including:</p> <ul style="list-style-type: none"> • Renewal due dates • licenses exceeded and • under-utilisation of licences <p>b) Licence information should be regularly monitored and scrutinised to plan for demand for the ICT Service’s resources and to ensure that licence conditions are complied with.</p> <p>c) Additional consideration should be given to assigning a dedicated role/resource for the co-ordination of software application contract renewals and licence monitoring, promoting liaison between the business and ICT, and enabling more efficient monitoring of software licensing activities.</p> <p>Medium</p>	<p>Head of Applications</p> <p>September 2023 March 2024</p>	<p>The Head of Technology Transformation advised that the Fujitsu contract has now been signed, in preparation for delivery, including KPIs.</p> <p>We will follow up the other sections of this recommendation at the year end.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>Options for implementing automated software licensing monitoring software should be considered to reduce reliance on manually updated spreadsheets.</p> <p>Medium</p>	<p>Head of Applications July 2023 September 2023 December 2023 March 2024</p>	<p>The Head of Technology Transformation advised that software licencing with be managed with the new App Score software from March 2024</p>
2022-23 Accounts Payable		
<p>1.1 The nine missing user access forms should be located as soon as possible. Going forward, following consultation with Exchequer Support Services who have expertise in this area, forms should take a standardised format (which considers whether access is being provided to new starters or amending existing permissions), and should be stored and backed up in a central location that is readily accessible.</p> <p>High</p>	<p>Head of Financial Control and Processing 31 July 2023 31 August 2023 1 December 2023 April 2024</p>	<p>1.1 The Head of Financial Control and Processing advised that the new user form has not been rolled out as expected due to stakeholder feedback. Configuration changes are still being made and it is now proposed that it is rolled out from 1st April 2024.</p>
<p>2.5 After quarterly reports are shared, there is no follow up to ensure exceptions have been resolved to prevent POs being raised after invoices are received; reports are run only to flag exceptions and non-compliant departments. The FC&P team should follow up to check that exceptions have been resolved after these have been flagged. The FC&P team should check for quarter-on-quarter performance/improvements; repeat offenders in the quarterly reports should be followed up so that root causes can be identified, and support (such as training) provided as needed.</p> <p>Medium</p>	<p>Head of Financial Control and Processing Sept/Oct 2023 April 2024</p>	<p>2.5 - We were advised by the Head of Financial Control and Processing that the Q3 reports are prepared to be issued and will be provided in early February.</p>
<p>3.1 Quarterly reports are currently run to identify instances of POs being raised retrospectively as well as invoices being paid after more than 30 days. These are shared with Departmental Finance Managers and Business Managers (budget holders). As late payment of invoices (without reasons being provided) is a recurring issue, further escalation of the quarterly reports is required. Exceptions to required practice should be reported to each Directorate Management Team, and a summary presented to the Corporate Management Team. A revised communications strategy from the</p>	<p>Head of Financial Control and Processing 30 June 2023 September 2023 February 2024 March 2024</p>	<p>The Head of Financial Control and Processing informed that the mid - year report was delayed due to resource issues within the service, however quarterly reports have continued to be issued. A year-end report on performance will be produced for the director of finance in March 2024, regarding departmental performance over the year and a reminder will be sent by the head of service as part of the closing timetable.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>FC&P Team, as well as a change in the ‘tone from the top’, would help to raise awareness and understanding of the issue and facilitate good practice going forward across all levels of staff.</p> <p>3.2 Repeat offenders in the quarterly reports should be followed up so that root causes can be identified, and support provided as needed.</p> <p>3.3 A reminder should be sent out to officers, particularly towards year-end (which is when officers are most likely to make this mistake), to refrain from making payments that are invoiced at a future date.</p> <p>Medium</p>		
2022-23 Pensions Administration		
<p>The Council should carry out periodic reconciliations of user accounts between Citrix and UPM to ensure that any disabled accounts on Citrix have been removed from UPM.</p> <p>Medium</p>	<p>Data Systems Manager June 2023 By 31 October 2023 To be followed up in March 2024</p>	<p>The Pensions Manager confirmed that the Data/Systems team are still in the process of recruiting to fill a number of vacant data team positions. This has impacted delivery of the action, however a Data Management/Security Strategy is currently going through approval. The action date has been revised to March 2024.</p>
<p>The Council should introduce a process of periodically checking the UPM system for discrepancies such as invalid NI numbers, duplicate employees and checking for instances of bank details being the same for the same/different people.</p> <p>Medium</p>	<p>Data Systems Manager By 31 October 2023 To be followed up in March 2024</p>	<p>The Pensions Manager advised previously that this action was on track to be completed by 31 October 2023. UPM reports will be run monthly as part of the monthly data upload to Employer Hub. We will review evidence of the new process at the year end.</p>
2022-23 Housing Rents		
<p>1.1 The Operations Manager Income (Council Tax) and the Former Tenant Arrears team should carry out a review of all pending former tenant arrears cases to ensure that these are being actioned (i.e., there should be no cases unactioned on the system for over three months, and actions should be reviewed to determine whether they are appropriate).</p> <p>1.3 In addition to the proposed report of aged debt cases, the Operations Manager should design an indicative recovery timetable to provide officers with guidelines (as all cases are unique) and key performance indicators to work towards.</p>	<p>1.1 Operations Manager Income (StepByStep) September 2023 January 2024 March 2024</p> <p>1.3 Operations Manager Income (StepByStep) October 2023 February 2024</p>	<p>The Operations Manager advised that the revised delivery date for these three actions should be updated to March 2024, due to their contingency on action 1.1.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>1.5 The proposed timetable for write offs should include guidelines on the length of time cases should be left on hold (after the former tenant deceased, for example) before being allocated to an officer, to mitigate the risk that the case is overlooked for an extended period.</p> <p>Medium</p>	<p>March 2024</p> <p>1.5 Operations Manager Income (StepByStep)</p> <p>July 2023</p> <p>December 2023</p> <p>March 2024</p>	
<p>2.1 The missing tenancy agreements should be located, or terms and conditions should be re-agreed, signed, and stored electronically.</p> <p>2.2 A review should be completed to confirm that signed agreements are saved on file for other tenants.</p> <p>2.3 Tenancy accounts on Northgate should be created, and payment allocated, before the start of the tenancy. The Council should introduce annual spot checks to ensure that this is the case.</p> <p>Medium</p>	<p>2.1 - Implemented at time of report</p> <p>2.2 and 2.3</p> <p>Resident Services Manager</p> <p>July 2023</p> <p>October 2023</p> <p>To be followed up in March 2024</p>	<p>We were advised by the Operations Manager that checks carried out with Rents in August 2023 found several tenancy agreements had not been uploaded to EDMS in a timely manner. This has been brought to the attention of Resident services for the next review in October 2023. We received no response to our request for an update in January 2024, therefore this action will be followed up alongside the above recommendations 1.1 and 1.2, in March 2024.</p>
2022-23 Capital Expenditure Management - General Fund		
<p>1.1 The operational policies and procedural guidelines for capital expenditure management should be reviewed for comprehensiveness, informed by consideration of how best to prioritise a challenging capital programme, re-launched, and maintained up to date on the Council intranet.</p> <p>1.2 Clear quality monitoring and review protocols should be developed for the corporate finance team in line with the refreshed, re-launched operational policies and procedural guidelines to enhance focus on the quality and consistency of key capital expenditure evidence backing the Month 4 and Month 8 capital monitoring reports.</p> <p>1.3 The key schemes that must be delivered in accordance with available resources across directorates should be subject to quality review on a cyclical basis.</p> <p>Medium</p>	<p>Chief Accountant</p> <p>January 2024</p> <p>April 2024</p>	<p>We were advised by the Chief Accountant that, due to the demands of the external audits currently in progress at the Council, the implementation date will be put back to April 2024.</p>





Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>2.1 A standard structured process and mandatory proforma should be in place for the assignment of schemes and projects to portfolio holders and project managers or partnership arrangements (as appropriate), and to confirm that they have appropriate professional disciplines including finance, legal and property.</p> <p>2.2 The proforma should state that there is a requirement for continuous professional development (CPD) and project officers to attend relevant training courses to keep abreast of relevant new legislative and regulatory developments and skills.</p> <p>Medium</p>	<p>Chief Accountant January 2024 April 2024</p>	<p>We were advised by the Chief Accountant that, due to the demands of the external audits currently in progress at the Council, the implementation date will be put back to April 2024.</p>
<p>3.1 Before submitting a report to Cabinet, there should be a procedure in place for an initial agreement to proceed based on a scheme and estimate, including project plan, progress targets and associated revenue expenditure budget prepared for each Capital project. The initial agreement to proceed should be documented by the relevant Executive Director or Director of Finance.</p> <p>Medium</p>	<p>Chief Accountant January 2024 April 2024</p>	<p>We were advised by the Chief Accountant that, due to the demands of the external audits currently in progress at the Council, the implementation date will be put back to April 2024.</p>
Housing Directorate		
2021-22 Cooper Close TMO		
<p>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 procurement procedures unless a long-term contract is in place.</p> <p>Medium</p>	<p>Treasurer January 2022 30 November 2023 31 March 2024</p>	<p>We were advised that the TMO manager was on leave until 8 January 2024, therefore no further update was able to be provided by the deadline of 10 January 2024. The Housing Projects and Performance Manager provided a revised due date for the action.</p>
<p>The TMO should review the Management Committee terms of reference annually to ensure they are up to date.</p> <p>Medium</p>	<p>Chair April 2022 July 2022 30 November 2023 31 March 2024</p>	<p>As above, we were advised that the TMO manager was on leave until 8 January 2024, therefore no further update was able to be provided by the deadline of 10 January 2024. The Housing Projects and Performance Manager provided a revised due date for the action.</p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>2022-23 Brenchley Gardens TMO</p> <p>The TMO should ensure that all existing properties and newly let properties are subject to an annual gas servicing check which is completed by a Gas Safe registered engineer and the certificate is retained. Further, a central compliance gas servicing log should be created and updated once properties have had a gas service check to ensure that those which are due can be easily identified.</p> <p>High</p>	<p>Estate Manager December 2023 31 March 2024</p>	<p>The Housing Projects and Performance Manager advised that the Council has temporarily taken over direct management of all landlord services at Brenchley Gardens and the TMO office has been closed from the 14th of September 2023. The Council is conducting a tenancy audit exercise in response to the audit findings. The tenancies will be migrated to the Council's housing management software (Northgate) which will give the council greater scrutiny of the allocation and management of council homes. The tenancy audit exercise will help inform the next steps.</p>
<p>The TMO should ensure that budget monitoring reports are produced each month, including the use of reserve and surplus fund, and should be shared at the monthly Management Committee meetings and ensure that all discussions including approval of the annual budget and reasons for variations are adequately documented.</p> <p>High</p>	<p>Estate Manager November 2023 31 March 2024</p>	<p><i>See manager comments above.</i></p>
<p>The TMO should ensure that all works order and invoices are raised approved and retained in an organised manner to ensure the procurement process is in line with the Councils requirements and MMA between the TMO and the Council.</p> <p>The TMO should also review the systems for maintaining records relating to the procurement activity and consider automating the process where possible.</p> <p>High</p>	<p>Estate Manager/Housing Assistant December 2023 31 March 2024</p>	<p><i>See manager comments above.</i></p>
<p>The TMO should implement a central repairs log which lists all repairs across the properties at Brenchley Gardens. The log should include the results of any quality checks completed and if any follow up action was identified.</p> <p>A works order should be raised for all repairs which is authorised in line with the MMA between the Council and the TMO and linked to the procurement of the works if not under an ongoing contract.</p> <p>High</p>	<p>Estate Manager/Housing Assistant January 2024 31 March 2024</p>	<p><i>See manager comments above.</i></p>

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
<p>The TMO should ensure that a tenancy agreement between the Council and the tenant, nomination letter, reasons for placement and identification checks are completed prior to the award of the property to an individual. These checks should all be retained on the individuals personal file should the Council require evidence of their completion.</p> <p>High</p>	<p>Estate Manager/Housing Assistant June/July 2023 30 November 2023 31 March 2024</p>	<p><i>See manager comments above.</i></p>
<p>The TMO should ensure that all pre-employment checks are completed prior to the appointment of a new started and should ensure that all documentation is securely retained in the individual's personnel file.</p> <p>High</p>	<p>HR Provider - City Interim/ Estate Manager June 2023 30 November 2023 31 March 2024</p>	<p><i>See manager comments above.</i></p>
<p>The Estate Manager should review the control account statement monthly to identify properties which are currently in arrears. Those which have been identified should have a formal letter sent to their address advising them of the arrears and a paid it needs to be paid by. Where payment cannot be made, an action plan should be produced to reduce the arrears.</p> <p>Further, properties currently in arrears should be report to the Management Committee to ensure adequate oversight and scrutiny of action plans in place for these properties.</p> <p>High</p>	<p>Estate Manager/ Accountant Arrears Management - July 2023 30 November 2023 31 March 2024 New System - Jan 2024 31 March 2024</p>	<p><i>See manager comments above.</i></p>
<p>The TMO should ensure that the monthly Management Committee meetings are formally documented to show discussions. The minutes should include any actions identified and the timeframe for implementation, along with evidence of discussion on key areas of the TMO.</p> <p>Medium</p>	<p>BGMA Chair/ Secretary May 2023 30 November 2023 31 March 2024</p>	<p><i>See manager comments above.</i></p>

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.

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Item No. 15a	Classification: Open	Date: 5 February 2024	Meeting Name: Audit, governance and standards committee
Report title:		Progress report on the work of anti-fraud	
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 details the progress report on the work of internal audit and anti-fraud for London Borough of Southwark.

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	Progress report on the work of anti-fraud

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Aaron Winter, Angela Mason-Bell; BDO	
Version	Final	
Dated	19 January 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Assistant Chief Executive, Governance and Assurance	No	N/A
Strategic Director of Finance	No	N/A
Cabinet Member	No	No
Date final report sent to Constitutional Team	19 January 2024	



ANTI-FRAUD PROGRESS REPORT

London Borough of Southwark

For presentation to the Audit, Governance and Standards Committee

February 2024



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1. PURPOSE

Purpose of report

This report informs the Audit, Governance and Standards Committee of the work undertaken by the Corporate Anti-Fraud Team (“CAFT”) and Special Investigations Team (“SIT”), during the period November 2023 to December 2023.

Due to the nature of the work conducted by both CAFT and SIT, this report does not set out specific details of investigations conducted.

2. ANTI-FRAUD UPDATE

Corporate Anti-Fraud investigations (CAFT)

Summary of CAFT investigations 2023-2024

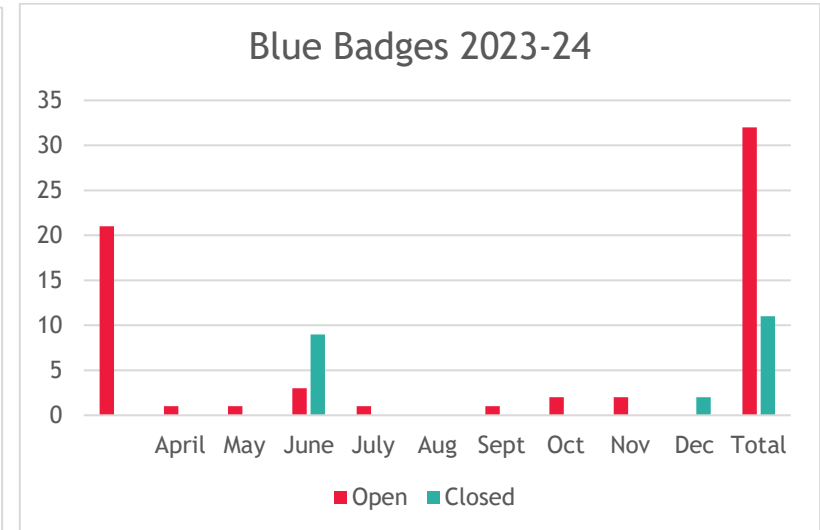
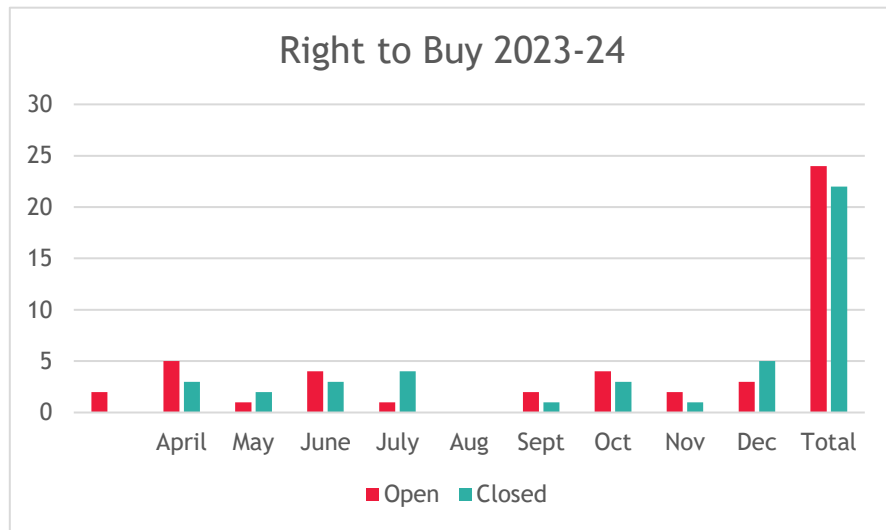
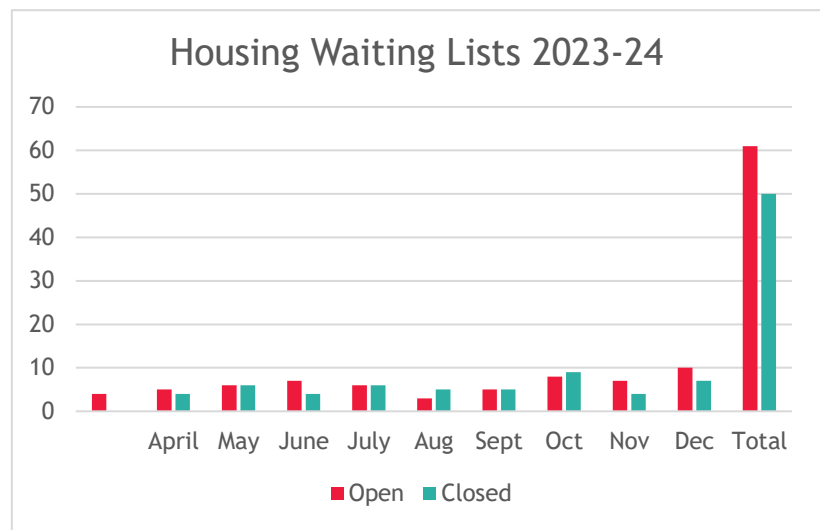
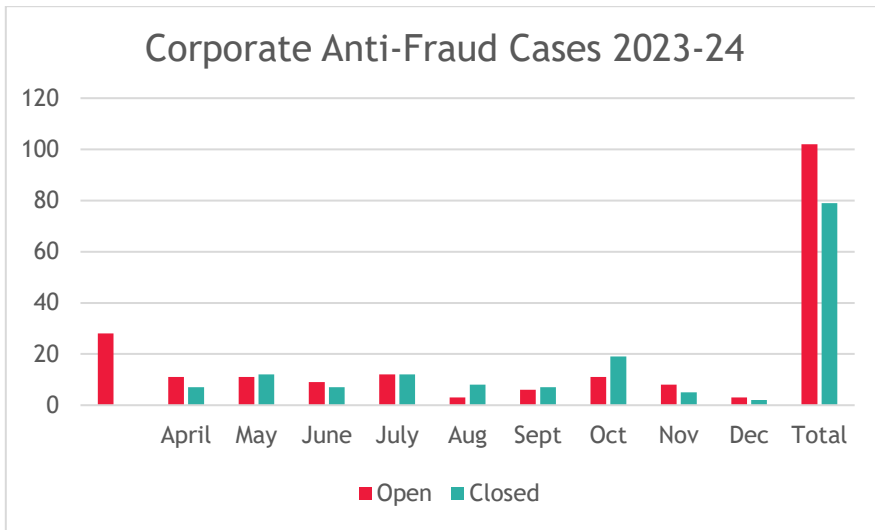
There are currently 16 active Corporate Anti-fraud Team investigations. These are split across the relevant Council services as follows:

Chief Executives Office	1 Case
Children & Adult Services - Internal	2 Cases (low level employee related)
Children & Adult Services - External	5 Cases (One personal budget, one spot contract and three ex-employee related)
Environment, Neighbourhoods & Growth	1 Case (Employee allegation)
Finance -External	3 Cases (One pension allegation and two local taxation allegations)
Housing	4 Cases

2023-24	Corporate Anti-Fraud		Housing Waiting List		Right to Buy		Blue Badges	
C/f	Open	Closed	Open	Closed	Open	Closed	Open	Closed
	28		4		2		21	
April	11	7	5	4	5	3	1	0
May	11	12	6	6	1	2	1	0
June	9	7	7	4	4	3	3	9
July	12	12	6	6	1	4	1	0
Aug	3	8	3	5	0	0	0	0
Sept	6	7	5	5	2	1	1	0
Oct	11	19	8	9	4	3	2	0
Nov	8	5	7	4	2	1	2	0
Dec	3	7	10	7	3	5	0	2
Total	102	86	61	50	24	22	32	11

Figures provided are for the period 1st April 2023 to 31st December 2023.

An analysis of the composition of number of cases is contained on the following pages.



Fraud and verification - Housing Waiting List

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 1st April 2023 and 31st December 2023 the team received 58 referrals, with 4 cases carried forward from the previous year. To date the following statuses have been reached:

- 31 cases have been denied. Information obtained suggests the applicant has provided false information regarding their circumstances to gain housing, or they have not provided sufficient evidence in response to FVT enquiries.
- 3 cases had no further action. The referral does not fall within the remit of the FVT function and was passed back to the Housing Officer for Housing to review.
- 3 cases referred back to Housing as the applicant failed to respond to enquiries and therefore, transferred to another department for further investigation.
- 8 cases remain under review. Information gathering phase i.e. awaiting a home visit or awaiting information from the applicant, an interview etc.
- 13 have been recommended to be maintained. FVT has reviewed the information and agreed the applicant should remain on the housing list.

Right to Buy (RTB)

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. When referrals are received, we review the source of cash funding and make a recommendation to the RTB team.

Between 1st April and 31st December 2023 there have been 21 referrals with 2 cases carried forward from the previous year. To date the following statuses have been reached:

- 18 cases reviewed and referred back to RTB Team to progress the application.
- 2 cases have been denied.
- No cases remain under review.
- 1 case was withdrawn by the applicant.

In addition, in relation to one of the above cases, the FVT identified potential subletting issues and the case was denied for RTB. This referred to Special Investigations Team who have since served a Notice to Quit and the property has been recovered.

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, BBFI.

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 1st April and 31st October 2023 CAFT have received 37 referrals. 21 cases were carried forward from the previous year. To date the following statuses have been reached:

- 21 cases have been referred to BBFI.
- 11 cases have been closed with no further action i.e. Blue badge has expired since report and not replaced. Disability is not obvious to the person making the report.
- 5 cases have been transferred out as they are not deemed to be fraudulent and there is no case to answer. They relate to other matters i.e. neighbours not using allocated disabled parking bays and obstructing other vehicle users accessing regular parking spaces.

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

NATIONAL FRAUD INITIATIVE (NFI) 2022/23 BIENNIAL EXERCISE

The Cabinet Office via NFI released the data matches in January 2023. The matches relate to a number of areas including Blue Badges, Payroll to Payroll, Council Tax Reduction, Housing Tenancy and Concessionary travel. The initial risk score is based on two factors.

1. Risk Logic a set criteria for each dataset combination which indicates when a fraudulent outcome is more likely to occur and;
2. Footprint Score a set of criteria associated with the number of times an individual appears across all NFI data at the address and inform the risk.

A combination of risk logic and footprint score produces a final risk score for each match. We do not look at every data match but prioritise matches above 50% final risk score. The fraud risk identified 4,387 matches.

High Risk	858
Medium Risk	1,731
Low Risk	1,457
Nil	341

Data matching involves comparing computer records held by one organisation against other computer records held by the same or another organisation to see how far they match. The match can be an exact match or a very close (fuzzy) match. This is usually personal information.

Where a match is found it indicates that there may be an inconsistency that requires further investigation. Therefore no assumption can be made as to whether there is fraud, error, or other explanation until an investigation is carried out.

There have been minor changes since our last report to the NFI outcomes. In summary, the following is the current progress / status of the matches identified:

Investigating	157 - not included in total
Processed matches	<u>4,203</u>
Cleared	3,469
Frauds	12
Errors	722
Total Outcomes	£273,697

Estimates are included where it is reasonable to assume that the fraud, overpayment, and error would have continued undetected without the NFI data matching. These estimates are subject to review prior to the start of each 2 yearly National Exercise and are approved by the NFI Governance Board and the Cabinet Office Cross Government Fraud Prevention Panel.

When assessing the monetary impact of the cases under investigation or deemed fraudulent, the term “Total Outcomes” refers to the actual sums that have been identified and can be considered recoverable.

In addition, specific annual matching exercises are also carried out, details of which are set out below:

Council Tax single persons discount to Electoral Register

The purpose of this match is to identify addresses where the householder is claiming a council tax single person discount on the basis that they live alone yet the electoral register suggests that there is more than one person in the household aged 18 or over. There were 6,192 matches reported in the annual dataset. Current status of matches is as follows:

Processed matches	<u>3,043</u>
Investigating	0
Cleared	2,257
Frauds	689
Errors	97
Total Outcomes	£348,974

Total Cabinet Office NFI co-estimated saving Outcome £939K, based on the figure of £348,973. The sum is effectively based on the potential life of a fraud rather than actual i.e. the premise that certain frauds exist for 3 to 5 years before being identified. It is therefore potential rather than actual.

The Council Tax and Electoral Register 2024 exercise data is due to be uploaded week ending 19th January 2024. Once uploaded the Team will begin the usual data matching exercise.

Council Tax rising 18s

This match identifies addresses where the householder is claiming a council tax single person discount (SPD) on the basis that they are the only occupant over 18 years of age, yet the electoral register suggests that there is somebody else in the household who is already, or is approaching, 18 years of age. This may have already made, or may be about to make, the SPD invalid.

Processed matches	<u>34</u>
Investigating	0
Cleared	5
Frauds	15
Errors	14
Total Outcomes	£9,083

3. HOUSING TENANCY UPDATE

Housing Tenancy Fraud - October 2023

The Special Investigation Team (SIT) falls under the Council's Fraud Prosecution Policy with the following remit:

- 2.1 *The special investigation team will investigate '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, right to buy and housing register application fraud, unless otherwise agreed.*

SIT are based within Residents Services within the Accommodation and Support Business Unit.

The team operates reactively and proactively. The performance measure for the team is to be top quartile nationally in terms of properties recovered from illegal occupancy as a percentage of total housing stock. The team also provides support to other teams within Residents Services to prevent and detect housing tenancy fraud and illegal occupancy and to support actions taken by those teams, including recovery of properties from illegal occupancy.

Summary of Reactive Investigations 2023-24

2023/24	Investigations Opened	Investigations Closed	Properties Recovered	Tenancy Prevented	RTB prevented	Other Positive outcomes
C/f	402					
April	10	24	2	0	0	0
May	13	14	0	0	1	3
June	19	15	3	1	0	1
July	3	15	0	0	0	0
August	14	6	0	0	0	1
September	40	13	2	1	0	1
October	109	84	0	0	0	2
November	61	45	0	1	0	4
December	19	16	0	2	0	0
Total	553	137	7	5	1	12

* Statistics up to and including 31/12/2023

The value of housing tenancy fraud detected and prevented by SIT up to 31/12/2023 represented in the table above is £631,000.

In addition to the properties recovered from illegal occupancy by SIT, area housing management have recovered 27 properties up to 31/12/2023. The total number of properties recovered from illegal occupation by Residents Services to date is 34.

In addition to investigations conducted, SIT undertake checks, where legislation allows, in support of the work by area housing management and legal services to recover properties from illegal occupation. In addition to the outcomes shown in the table above SIT have provided information to support the work of the Residents Services in 26 cases up to 31/12/2023.

Up to 31/12/2023 SIT have served a total of 16 Notices to Quit or Notices Seeking Possession as a result of investigations conducted and have referred 8 cases to legal services during the current financial year. SIT have a total of 14 cases with legal services at various stages of the legal process.

Proactive Investigations

National Fraud Initiative (NFI)

SIT continues to work on housing tenancy related matches under the NFI. The Cabinet Office released further housing related data matches in late November 2023. In total 1,409 new matches were released to SIT. Progress against the matches falling within the remit of SIT is given in the table below:

Total Matches (SIT)	Matches Closed	Open Investigations	Matches to review
2,435	1,045	124	1,409

Operation Silver II

A further exercise to data match tenancies to enable intelligence led tenancy checks to that will 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 which was due to commence in Q3 of 2023/24 has been delayed due to additional proactive planning and the upgrading of the case management system. This will now take place in Q4.

Additional proactive plans agreed with Residents Services and Housing Management in December 2023. These plans include SIT undertaking enhanced governance and verification work around changes to secure tenancies including assignment, succession, mutual exchange, and changes to the tenant details. This work will proactively identify potential housing tenancy fraud, ensure solid governance arrangements within the secure tenancy regime, and identify illegal occupancy to allow for appropriate redress.

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.

	April	May	June	July	Aug	Sept	Oct	Nov	Dec
PoSHFA powers*	2	2	1	5	1	5	8	2	6
Cumulative PoSHFA powers	2	4	5	10	11	16	24	26	32
Total No of officers	9	9	9	9	9	9	9	9	9
Total ACFS (or equiv.) officers	8	8	8	8	8	8	8	8	8
Total Spend (£'000's)	44	41	44	66	74	46	39	65	62
Cumulative Spend (£'000's)	44	86	129	195	269	315	355	419	481
Cases Investigated (closed)	22	14	15	15	2	13	37	43	16
Cumulative cases	22	36	51	66	68	81	118	161	177
Average cost per case (£'000's)	2	2	3	3	4	4	3	3	3

* The Prevention of Social Housing Fraud Act 2013 ("PoSHFA") creates offences related to sub-letting and parting with possession of social housing and makes provision for the investigation and prosecution of social housing fraud offences

4. STAFFING AND RECRUITMENT UPDATE

CAFT - Offers have been made for the posts of Fraud Trainee. The Fraud Team Manager post has been advertised with interviews to take place in February 2024. As a result of the successful Senior Investigator Officer accepting the offer there is a new vacancy for the Fraud & Evaluation Officer role.

SIT has a full complement of a manager and 8 investigations officers. One officer is currently undertaking training to professionally qualify as Accredited Counter Fraud Specialist. A full review of team training needs, including refresher training, is currently being undertaken.

5. OTHER ITEMS

NFI Pilot Exercise Housing Pilot Phase 2

Cabinet Office NFI is undertaking this initiative to support local authorities and social landlords to address fraud in their housing portfolios. The pilot is designed to address key housing fraud risks such as subletting and abandonment. CAFT & SIT will be participating with SIT taking the lead on behalf of Southwark, in addition to the other work already detailed above.

FOR MORE INFORMATION:

Aaron Winter

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Item No. 16.	Classification: Open	Date: 5 February 2024	Meeting Name: Audit, governance and standards committee
Report title:		Review of complaints made under the Members' Code of Conduct in 2023	
Ward(s) or groups affected:		All	
From:		Assistant Chief Executive (Governance and Assurance)	

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.

KEY ISSUES FOR CONSIDERATION

5. The Act requires local authorities to have arrangements in place to investigate allegations of breaches of the code of conduct by members and make decisions on them. The current arrangements were last updated at the meeting of this committee on 22 November 2022. The arrangements have continued to include provision for the monitoring officer to agree local solutions to resolve complaints without formal investigations in appropriate cases and to determine at an initial stage in the process whether any further action is needed in any particular case.
6. Since 2012 the monitoring officer has agreed to analyse the complaints data and report this information to the appropriate committee annually. The data for 2023 is shown in appendix A alongside comparative data for the previous three years.

7. Where multiple complaints have been received about the same member on the same subject, these have been treated in the statistics as representing one complaint. Where a number of members have been included in a single complaint again this has been recorded as one complaint.

Commentary

8. There was a decrease in the number of complaints received in the last year with the lowest number received since 2020. All the complaints have come from members of the public. The monitoring officer has dealt with all the complaints without requiring any formal investigations this year and no breach findings have been made in any of the cases. In all cases the monitoring officer decided that no further action should be taken in relation to these complaints having carried out an initial investigation.
9. One of the complaints was resolved by the monitoring officer as a result of a councillor providing an apology. It should be noted that where an apology is given there is no finding that there has been a breach of the code. In another case the monitoring officer did not consider that the complaint was likely to lead to a breach of the code as alleged. In the third case the monitoring officer did not consider there was any basis in the complaint for a breach of the code.
10. The complaints have arisen in the context of interactions between councillors and members of the public in public meetings and on social media. The complaints have related to differences of views between members of the public and councillors over locally contentious issues which invariably involve robust communications.
11. Where relevant the monitoring officer has sought the views of one of the independent persons prior to making her decision. Their views and consideration has been very valuable in assisting the monitoring officer in assessing complaints and finding solutions. During the year the council successfully appointed two further independent persons making a current total of three.
12. The assistance of the Whips has also been helpful in supporting the monitoring officer in responding to complaints.

Code of conduct training

13. Code of conduct training has been provided to two new co-opted members during the year. The training looked at the provisions of the code and gave some case examples to assist members in avoiding any possible breaches.

Code of Conduct review

14. The committee will be aware that a review of the code of conduct by the council is currently underway. A member officer working group has been established to take this forward with a view to making recommendations to the committee later in 2024. Workshops are being arranged in February for all members to participate in and provide views if they wish to. The review is focusing on the Local Government Association updated model code of conduct, and whether any changes to Southwark's current code should be made in the light of this.

Policy framework implications

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

Community and equalities (including socio-economic) impacts

16. 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.

Health Impacts

17. 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

18. There are no specific climate change issues arising from the matters dealt with in this report.

Legal implications

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

Financial implications

20. The resources needed for dealing with the complaints process have been maintained within current budgets.

Consultation

21. There has not been any consultation in relation to this report.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Members' code of conduct	https://www.southwark.gov.uk/assets/attach/8861/Code-of-conduct_May-2014.pdf 160 Tooley Street PO Box 64529, London, SE1P 5LX	Constitutional team; constitutional.team @southwark.gov.uk
Members' code of conduct complaints investigation procedure	https://www.southwark.gov.uk/assets/attach/3752/Members-Code-of-Conduct-Complaints-Investigation-Procedure.pdf	Constitutional team; constitutional.team @southwark.gov.uk

APPENDICES

No.	Title
Appendix A	Members' Code of Conduct Complaints 2020-2023

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown Assistant Chief Executive (Governance and Assurance)		
Report Author	Charles Meredith, Assistant Governance Lawyer		
Version	Final		
Dated	05.02.24		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments included	
Assistant Chief Executive (Governance and Assurance)	Yes	Incorporated	
Strategic Director of Finance	No	No	
Cabinet Member	N/a	N/a	
Date final report sent to Constitutional Team			25 January 2024

Item No. 17.	Classification: Open	Date: 5 February 2024	Meeting Name: Audit, governance and standards committee
Report title:		Report on the operational use of the Regulation of Investigatory Powers Act 2000	
Ward(s) or groups affected:		All	
From:		Assistant Chief Executive (Governance and Assurance)	

RECOMMENDATION

1. That the committee notes the information relating to the use of RIPA in 2023.

BACKGROUND INFORMATION

2. The Regulation of Investigatory Powers Act 2000 (RIPA) puts a regulatory framework around a range of investigatory powers used by local authorities. This is done to ensure the powers are used lawfully and in a way that is compatible with the European Convention on Human Rights. It also requires, in particular, those authorising the use of covert techniques to give proper consideration to whether their use is necessary and proportionate.
3. RIPA legislates for the use by local authorities of covert methods of surveillance and information gathering to assist in the detection and prevention of crime in relation to an authority's functions.
4. The audit governance and standards committee and its predecessor committee has agreed to consider annual reports on the use of RIPA since 2010

KEY ISSUES FOR CONSIDERATION

5. The council's use of these powers is subject to regular inspection and audit by the Investigatory Powers Commissioner's Office in respect of covert surveillance authorisations under RIPA. During these inspections, authorisations and procedures are closely scrutinised and Authorising Officers are interviewed by the inspectors.
6. The council was last inspected by HH Brian Barker, Assistant Surveillance Commissioner, on 3 October 2016. The council was due to be inspected again in March 2020 but this did not take place due to the COVID public emergency. A virtual inspection took place in 2021 by an inspector who examined the council's use of RIPA powers in relation to directed surveillance and using

covert human intelligence sources (CHIS). The information provided demonstrated at the time a level of compliance that removed for the time being the requirement for a physical inspection.

7. Local authority authorisations and notices under RIPA (Regulation of Investigatory Powers Act 2000) will only be given effect once an order has been granted by a Justice of the Peace. Authorisations are for 3 months and can only be extended with further judicial approval. Within the 3 month period they are subject to regular reviews (usually monthly) to ensure they are still required.
8. Additionally, local authority use of directed surveillance under RIPA has been limited to the investigation of crimes which attract a six month or more custodial sentence, with the exception of offences relating to the underage sale of alcohol and tobacco.
9. Appendix A shows the usage for the period 1 January 2023 to 31 December 2023. Appendix B shows the usage for the period 1 January 2016 to 31 December 2022 for comparison purposes.
10. Officers involved in the authorisation process are provided with relevant training approximately every two years. This was last organised in 2021 and will be taking place again in March..
11. The council's RIPA policy and procedures were last fully reviewed in August 2019 with some updates to details of officers made in September 2022.

Community impact statement

12. The use of these powers under RIPA enhances the effective operation of statutory investigatory functions within a legal framework that ensures appropriate safeguards are met. These functions are directed at providing safeguards to the community at large but are often required to enable those who are vulnerable to be protected from criminal anti-social activity who may also have one or a number of protected characteristics as set out in the Equality Act 2010.

Health impact statement

13. 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

14. There are no specific climate change issues arising from the matters dealt with in this report.

Legal implications

15. The legal context is set out in the body of this report.

Financial implications

16. The use of RIPA powers in ancillary to investigations carried out in services and in the context of their own budgeted resources. No additional resources are identified as need from this report.

CONSULTATION

17. No consultation has been carried out in compiling this report.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
The Constitution	http://www.southwark.gov.uk/YourCouncil/HowTheCouncilWorks/councilconstitution.html 2nd floor, PO Box 64529, London, SE1P 5LX	Constitutional team; constitutional.team@southwark.gov.uk

APPENDICES

No.	Title
Appendix A	1 January 2023 to 31 December 2023
Appendix B	1 January 2016 to 31 December 2022

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown Assistant Chief Executive (Governance and Assurance)		
Report Author	Charles Meredith, Assistant Governance Lawyer		
Version	Final		
Dated	05.02.24		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments included	
Assistant Chief Executive (Governance and Assurance)	Yes	Incorporated	
Strategic Director of Finance	No	No	
Cabinet Member	N/a	N/a	
Date final report sent to Constitutional Team			25 January 2024

APPENDIX A

Reference	Date authorisation agreed by JP	Purpose	Length of investigation
EN91	27.10.2022	surveillance concerning sale of illegal skin lightener	Terminated 19.01.2023
EN92	Not yet authorised	surveillance of suspect suspected of selling illicit tobacco	
EN93	02.08.2023	surveillance of suspect suspected of selling illicit tobacco	Terminated 25.10.2023

APPENDIX B

Reference	Date authorisation agreed by JP	Purpose	Length of investigation
EN75	13.01.2016	surveillance concerning sale of unsafe food	Terminated 12.02.2016
EN76	13.01.2016	surveillance concerning sale of unsafe food	Terminated 12.02.2016
EN77	13.01.2016	surveillance concerning sale of unsafe food	Terminated 12.02.2016
EN78	13.01.2016	surveillance concerning sale of unsafe food	Terminated 12.02.2016
EN79	29.11.2016	sale of counterfeit tobacco	Terminated 23.01.2017
EN80	29.11.2016	Sale of counterfeit tobacco	Terminated 24.02.2017
EN81	24.03.2017	Surveillance concerning the supply of illegal lightening cosmetic products	Terminated 08.05.2017
EN82	13.07.2017	surveillance concerning prolific fly tipping	Terminated 12.10.2017
EN83	24.03.2017	surveillance concerning sale of illegal skin lightener	Terminated 08.05.2017
EN84	17.09.2018	surveillance of suspect suspected of selling illicit tobacco	Terminated 03.10.2018
EN85	15.08.2018	Surveillance of suspect suspected of selling illicit tobacco	Terminated 21.08.2018
EN86	It was decided to withdraw this application due to operational reasons before authorisation		
EN87	15.10.2018	Surveillance of suspect suspected of selling illicit tobacco	Terminated 13.12.2018
EN88	05.09.2019	Surveillance of suspect suspected of selling illicit tobacco	Terminated 11.12.2019
EN89	17.01.2020	Surveillance of suspect suspected of selling illicit tobacco	Terminated 17.3.2020
EN90	13.10.2021	Surveillance of suspect suspected of selling illicit tobacco	Terminated 10.01.2022

Item No. 18.	Classification: Open	Date: 5 February 2024	Meeting Name: Audit, Governance and Standards Committee
Report title:		Annual report on the work and performance of the audit, governance and standards committee in 2023-24	
Ward(s) or groups affected:		All	
From:		Audit, governance and standards committee	

RECOMMENDATIONS

1. That the audit, governance and standards committee forward this report on its work and performance in 2023-24 to all councillors, subject to any amendments it wishes to make.
2. That the audit, governance and standards committee consider the CIPFA assessment questionnaire at appendix B be brought back to the audit, governance and standards committee in June 2024.

BACKGROUND INFORMATION

3. The purpose of this report is to review this committee’s work and performance in 2023-24.
4. The audit, governance and standards committee’s terms of reference include a requirement to report annually to all councillors on its work and performance during the year.
5. The aims of the report are to make councillors aware of the audit, governance and standards committee’s work in relation to its audit, financial reporting, treasury management, governance and standards responsibilities, and to provide assurance on are as covered or to identify any concerns.
6. This report also considers the effectiveness of the audit, governance and standards committee which forms a part of the review of internal audit, and which will in turn be reported as part of the review of the system of internal control, as required under the Accounts and Audit Regulations 2015.

KEY ISSUES FOR CONSIDERATION

Role of the committee

7. Audit committees are a key component of an authority’s governance framework. The purpose of the audit, governance and standards committee is to provide:

- Independent assurance of the adequacy of the council's governance arrangements, including its standards regime, the risk management framework and the associated control environment.
 - Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
 - Oversight of the financial reporting process.
 - Scrutiny of the treasury management strategy and policies.
 - Operation of a framework to promote and maintain high standards of conduct by councillors, co-opted members and church and parent governor representatives.
8. CIPFA has updated the practical guidance for audit committees which includes an updated '*Position Statement: Audit Committee in Local Authorities and Police 2022*', (appendix A), which sets out the purpose and core functions of local authority and police audit committees. It is intended to supplement specific legislation, is supported by the Department of Levelling Up, Housing and Communities, (DLUHC) and represents CIPFA's view on the practice and principles that local authorities should adopt to make effective audit committee arrangements.
9. In line with the above, the committee's terms of reference are structured by reference to its key functions in terms of governance and standards, audit activity (internal and external), the accounts and treasury management. Since the new standards regime for councillors was introduced in 2012, the frequency and business for the standards committee had reduced, and there was no statutory requirement to have a standards committee. In May 2016 the standards committee was not re-established as a stand-alone committee, and its roles and functions were amalgamated with the audit and governance committee.
10. The audit, governance and standards committee agrees a work programme each year. A summary of the committee's business during 2023-24 in relation to its areas of responsibility is set out below.

Audit activity

Internal audit

11. The committee received and considered regular reports on the performance of internal audit and the outcome from its work during the year, as well as the internal auditors' annual report on the work of internal audit and anti-fraud 2023-24. Members had questions for both officers and the engagement manager for the auditors, BDO.

External audit

12. The committee received a report from the external auditor, Grant Thornton, on the 2021-22 audit findings, including the pension fund. In addition, the committee received regular progress reports from Grant Thornton throughout the year on the progress of the 2022-23 audit together with a wider sector

update. The committee heard from officers that Grant Thornton will be replaced as the council's external auditor by KPMG in 2023-24 and onwards, and have thanked Grant Thornton for the work they have done for the council.

13. In recent years, the backlog of local authority audits has built up due to a number of complex factors including the shortage of experienced local authority auditors and accountants, the impact of covid-19, and technical accounting challenges. This has resulted in the majority of local authorities being unable to publish audited accounts within statutory deadlines, with many having backlogs of five years or more.
14. In recent months DLUHC has proposed introducing legislation (which is currently out for consultation) to give effect to a legal "backstop" i.e. a statutory deadline for auditors to issue audit opinions on year-end accounts for all years up to 2022-23. The proposed deadline is 30th September 2024 and for any audits incomplete by this the auditors would either need to provide a qualified opinion or a disclaimer of opinion which effectively states that they are unable to provide a formal opinion. In the case disclaimer opinions, auditors in subsequent years would be required to audit the opening balances of accounts in order to get assurance.
15. In 2020 DLUHC commissioned Sir Tony Redmond to carry out an independent review of local audit and the transparency of local authority financial reporting. The Redmond Review produced a number of key recommendations, which have been broadly accepted by government including additional funding to local authorities for the financing of audit fees to improve recruitment and training of local authority auditors and a requirement for local authorities to produce a standardised financial statement to increase transparency of financial information for council tax payers

Accounts

16. The committee considered and agreed the 2021-22 statement of accounts at its November 2023 meeting, delegating authority to sign the final accounts to the chair in consultation with the strategic director of finance.

Governance and standards activity

17. The committee continued its approach to the consideration of governance matters for 2023-24. It completed the discussions with strategic directors on their department's governance arrangements, and considered specific areas of interest.
18. In July 2023, Clive Palfreyman, the strategic director of finance, attended the committee. In September 2023, Caroline Bruce, strategic director of environments, neighbourhoods and growth, attended. In November 2023, David Quirke-Thornton, the strategic director of children's and adults' services, attended the committee. In February 2023, the committee heard from Doreen Forester-Brown, the assistant chief executive – governance and assurance, and Althea Loderick, the chief executive, updated the committee on the Southwark Council peer review.

19. The committee have also had an in depth series of reports on the in-housing of the council's leisure contract, the members' enquiries service, and interviews with officers discussing the outcomes of internal audit reports.
20. The work on corporate risk and insurance for 2023-24 has been supported by the council's internal auditors and integrated into their regular update reports.
21. The committee's annual report on whistle blowing outcomes has been considered by the committee at its November 2023 meeting.
22. A report on the council's use of RIPA (Regulatory Investigatory Powers Act) and the OSC (Office of Surveillance Commissioners) inspection of Southwark has been considered by the committee at its February 2023 meeting.
23. The establishment of the two standards sub-committees (civic awards and conduct) were approved by the committee in July 2023. The committee continued its agreement from July 2018 that the number of co-opted community members on the civic awards sub-committee stand at four, and that the sub-committee be as gender balanced as possible; in that two of the community representatives serving on the sub-committee should ideally be women.
24. The Civic Awards 2024 were launched in December 2023, and include the Diversity Award championed by members of the audit, governance and standards committee, and the new climate change award proposed by council assembly and agreed by the committee.

Treasury management

25. Members received a report on the revised treasury management policy statement, and considered the council's 2024-25 treasury management strategy statement in November 2023.

Effectiveness of the audit and governance committee

26. The Accounts and Audit Regulations require a review of internal audit to be carried out, including consideration of the effectiveness of this committee. An annual opinion is given by the head of anti-fraud and internal audit.

Training

27. Training will be provided as required and officers will continue to arrange training as opportunities arise.

Development opportunities

28. The year saw the following principal achievements:
 - a) Coverage of all elements of the committee's work programme, including

- the successful inclusion of standards work into the responsibilities of the committee
- b) Continued assurance of corporate governance arrangements, through discussions with strategic directors and directors.
 - c) Further assurance as to the operation of the council's whistle blowing policy
 - d) Ongoing constructive challenge from members in respect of reports received by them
 - e) Relevant attendance by officers when required following any late responses to audit reports.
29. For the coming year, the following are areas where the committee has the opportunity to effect further development or to which it may wish to give consideration:
- a) The CIPFA self-assessment of good practice (appendix B)
 - b) The CIPFA 'Evaluating the impact and effectiveness of the audit committee' (Appendix C)
 - c) Future and ongoing training needs.

Conclusion

30. The committee's work programme aims to ensure that the committee is able to carry out its functions effectively. To this end, the programme is structured to cover the key areas of audit activity (both internal and external), governance and standards activity, financial reporting and scrutiny of the treasury management strategy and policies.
31. The committee continued to ask questions on matters before it in a challenging yet constructive way. In some cases, this has resulted in further information being provided to the committee to provide the assurance sought; in others, it has resulted in increased focus on the implementation of action plans.
32. The committee has kept its work programme under review in 2023-24 and made changes when appropriate.
33. Through its work, the committee is able to confirm that:
- The council's system of risk management is adequate to identify risk and to allow the authority to understand the appropriate management of those risks;
 - There are no areas of significant duplication or omission in the systems of governance in the authority that have come to the committee's attention and not been adequately resolved.
34. The work programme for the committee for 2024-25 is included elsewhere on this agenda for consideration and agreement, and this will be reviewed and amended on an ongoing basis as necessary to help to ensure that the committee can continue to provide assurance of the adequacy of the council's governance arrangements.

Policy implications

35. There are no policy implications in the proposals in this report.

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

36. 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

37. There are no direct equalities implications in the proposals in this report.

Health impact statement

38. There are no direct health implications in the proposals in this report.

Climate change implications

39. There are no direct climate change implications in the proposals in this report.

Resource implications

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

Conclusion

41. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**Strategic Director of Finance**

42. The strategic director of finance remains committed to the important role of the audit, governance and standards committee and notes that it continues to function in line with its terms of reference. The performance of the committee continues to be strengthened by the attendance of officers with key governance roles and it is expected that the committee will continue to obtain assurance of governance arrangements from this.

43. The committee has operated in accordance with its responsibilities in key finance and audit matters, including the statement of accounts, treasury policies, and internal audit work, which are key issues for the s.151 officer (Local Government Act 1972).

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
CIPFA Audit committees – Practical Guidance for Local Authorities and Police 2022 edition	Finance and Governance, Second Floor, Tooley Street	Geraldine Chadwick

APPENDICES

Number	Title
A	CIPFA Position Statement
B	CIPFA self-assessment of good practice
C	CIPFA 'Evaluating the impact and effectiveness of the audit committee'

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer	
Version	Final	
Dated	24 January 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Assistant Chief Executive – Governance and Assurance	No	No
Strategic Director, Finance	Yes	Yes
Cabinet Member	No	No
Date final report sent to Constitutional Team	24 January 2024	



CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

APPENDIX E

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Audit committee purpose and governance

- 1 Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?
- 2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?
- 3 Has the committee maintained its advisory role by not taking on any decision-making powers?
- 4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?
- 5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?
- 6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?
- 7 Does the governing body hold the audit committee to account for its performance at least annually?

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply					Partially complies and extent of improvement needed					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:																									
<ul style="list-style-type: none"> compliance with the CIPFA Position Statement 2022 																									
<ul style="list-style-type: none"> results of the annual evaluation, development work undertaken and planned improvements 																									
<ul style="list-style-type: none"> how it has fulfilled its terms of reference and the key issues escalated in the year? 																									
Functions of the committee																									
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?																									
Governance arrangements																									
Risk management arrangements																									
Internal control arrangements, including:																									
<ul style="list-style-type: none"> financial management value for money ethics and standards counter fraud and corruption 																									
Annual governance statement																									
Financial reporting																									
Assurance framework																									
Internal audit																									
External audit																									
10 Over the last year, has adequate consideration been given to all core areas?																									
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?																									
12 Has the committee met privately with the external auditors and head of internal audit in the last year?																									

Good practice questions	Does not comply					Partially complies and extent of improvement needed					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				

Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?

- Separation from executive
- A size that is not unwieldy and avoids use of substitutes
- Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation

14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?

15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?

16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?

17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?

18 Is adequate secretariat and administrative support provided to the committee?

19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?

Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?

21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?

22 Are meetings effective with a good level of discussion and engagement from all the members?

23 Has the committee maintained a non-political approach to discussions throughout?

Good practice questions	Does not comply					Partially complies and extent of improvement needed				Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement					
Weighting of answers	0	1	2	3	5					
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?										
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?										
26 Do audit committee recommendations have traction with those in leadership roles?										
27 Has the committee evaluated whether and how it is adding value to the organisation?										
28 Does the committee have an action plan to improve any areas of weakness?										
29 Has this assessment been undertaken collaboratively with the audit committee members?										
Subtotal score										
Total score										
Maximum possible score										200**

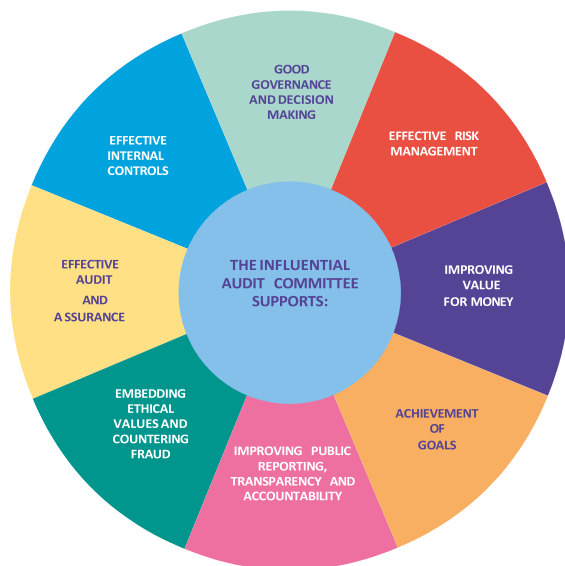
** 40 questions/sub-questions multiplied by five.

Evaluating the impact and effectiveness of the audit committee

An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'.

The improvement tool below can be used to support a review of effectiveness. It identifies the broad areas where an effective audit committee will have impact.

Figure 1: The influential audit committee



The table includes examples of what the audit committee might do to have impact in each of these areas.

The third area includes key indicators that might be expected to be in place if arrangements are in fact effective. These indicators are not directly within the control of the audit committee, as it is an advisory body. They do provide an indication that the authority has put in place adequate and effective arrangements, which is the purpose of the committee.

Use the tool for discussion and evaluation of the strengths and weakness of the committee, identifying areas for improvement.

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Promoting the principles of good governance and their application to decision making.	<ul style="list-style-type: none"> Supporting the development of a local code of governance. Providing a robust review of the AGS and the assurances underpinning it. Supporting reviews/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships. 	<ul style="list-style-type: none"> Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements. Local arrangements for governance have been clearly set out in an up-to-date local code. The authority’s scrutiny arrangements are forward looking and constructive. Appropriate governance arrangements established for all collaborations and arm’s-length arrangements. The head of internal audit’s annual opinion on governance is satisfactory (or similar wording). 	

Contributing to the development of an effective control environment.	<ul style="list-style-type: none"> • Encouraging ownership of the internal control framework by appropriate managers. • Actively monitoring the implementation of recommendations from auditors. • Raising significant concerns over controls with appropriate senior managers. 	<ul style="list-style-type: none"> • The head of internal audit's annual opinion over internal control is that arrangements are satisfactory. • Assessments against control frameworks such as CIPFA's FM Code have been completed and a high level of compliance identified. • Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement.
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<ul style="list-style-type: none"> • Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking. • Monitoring improvements to risk management. • Reviewing accountability of risk owners for major/strategic risks. 	<ul style="list-style-type: none"> • A robust process for managing risk is evidenced by independent assurance from internal audit or external review.
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<ul style="list-style-type: none"> • Reviewing the adequacy of the leadership team's assurance framework. • Specifying the committee's assurance needs, identifying gaps or overlaps in assurance. • Seeking to streamline assurance gathering and reporting. • Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit. 	<ul style="list-style-type: none"> • The authority's leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies.
Supporting effective external audit, with a focus on high quality and timely audit work.	<ul style="list-style-type: none"> • Reviewing and supporting external audit arrangements with focus on independence and quality. • Providing good engagement on external audit plans and reports. • Supporting the implementation of audit recommendations. 	<ul style="list-style-type: none"> • The quality of liaison between external audit and the authority is satisfactory. • The auditors deliver in accordance with their audit plan, and any amendments are well explained. • An audit of high quality is delivered.

<p>Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.</p>	<ul style="list-style-type: none"> • Reviewing the audit charter and functional reporting arrangements. • Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements. • Actively supporting the quality assurance and improvement programme of internal audit. 	<ul style="list-style-type: none"> • Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment). • The head of internal audit and the organisation operate in accordance with the principles of the CIPFA Statement on the Role of the Head of Internal Audit (2019).
<p>Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.</p>	<ul style="list-style-type: none"> • Reviewing how the governance arrangements support the achievement of sustainable outcomes. • Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. • Reviewing the effectiveness of performance management arrangements. 	<ul style="list-style-type: none"> • Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives. • The authority's arrangements to review and assess performance are satisfactory.
<p>Supporting the development of robust arrangements for ensuring value for money.</p>	<ul style="list-style-type: none"> • Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee. • Considering how performance in value for money is evaluated as part of the AGS. • Following up issues raised by external audit in their value-for-money work. 	<ul style="list-style-type: none"> • External audit's assessments of arrangements to support best value are satisfactory.
<p>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</p>	<ul style="list-style-type: none"> • Reviewing arrangements against the standards set out in the <i>Code of Practice on Managing the Risk of Fraud and Corruption</i> (CIPFA, 2014). • Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. • Assessing the effectiveness of ethical governance arrangements for both staff and governors. 	<ul style="list-style-type: none"> • Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements.

Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.

- Working with key members/the PCC and chief constable to improve their understanding of the AGS and their contribution to it.
 - Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English.
 - Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency.
 - Publishing an annual report from the committee.
- The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality.
 - The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion.
 - The authority has published its financial statements and AGS in accordance with statutory guidelines.
 - The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements.

OVERALL QUESTIONS TO CONSIDER

- 1 Does the committee proactively seek assurance over the key indicators?
- 2 How proactive is the committee in responding to aspects of governance, risk, control and audit that need change or improvement?
- 3 Are recommendations from the committee taken seriously by those responsible for taking action?

REPORTING RESULTS

The outcome of the review can be used to inform the committee's annual report.

Item No. 20.	Classification: Open	Date: 5 February 2024	Meeting Name: Audit, governance and standards committee
Report title:		Annual work programme for the following year (2024-25)	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance	

RECOMMENDATIONS

1. That the audit, governance and standards committee consider the proposed draft work programme for 2024-25 and whether they would wish to make amendments to arrangements as set out in paragraphs 8 to 10 of this report, or in respect of any other matters.
2. That the audit, governance and standards committee, subject to any requested changes, agree the work programme for 2024-25 set out in Appendix 2.

BACKGROUND INFORMATION

3. Since its establishment in March 2007, the committee has agreed a work programme for the forthcoming year. Amendments to the programme to take account of changing circumstances can be made throughout the year.
4. The purpose of this report is to set out possible areas of work for consideration to enable members to agree a programme for 2024-25.

KEY ISSUES FOR CONSIDERATION

5. In considering items for inclusion, it may be helpful to do this within the framework of the committee's purpose, as set out in the constitution. This is set out in the constitution to be:
 - Independent assurance of the adequacy of the council's governance arrangements, including the risk management framework and the associated control environment
 - Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment
 - Oversight of the financial reporting process
 - Scrutiny of the treasury management strategy and policies

- A framework to promote and maintain high standards of conduct by councillors, co-opted members and church and parent governor representatives.
6. The committee's terms of reference, as approved by council assembly, cover functions relating to audit activity, the regulatory framework, accounts, treasury management and the council's standards framework. They are attached at Appendix 1 as they may further help the committee to determine items to be included in its work programme.
 7. Using the 2023-24 revised work programme as a starting point, a draft programme for 2024-25 has been included at Appendix 2 for the committee's consideration. Items shown in brackets are standing items which will be brought forward as they arise. The draft programme is based on meetings of the committee being held in June 2024, July 2024, September 2024, November 2024, February 2025 and on to June 2025 in the 2025-26 year.

Areas of governance for review

8. From 2020-21 onwards, the committee have invited chief officers to attend and discuss departmental governance. The programme was suggested on the understanding that this would be likely to take two years to see all the chief officers
9. Members are asked to consider whether they would wish to continue this approach. If they do not wish to continue this approach, they are asked to identify an alternative approach to the review of governance.
10. It has been suggested that members consider whether there are specific areas of interest, potentially arising from internal audit updates, that they would welcome a more in-depth conversation on, as an alternative to or in addition to the current governance conversations with chief officers.
11. There remains a need to ensure flexibility in terms of emerging issues which come to light through items already on the committee's agenda. For example, a review of audit recommendations and progress on their implementation may highlight a need to request the attendance of individuals at a future meeting to help explain action taken. The work plan itself is a guideline, and items can be amended, added, or removed as required throughout the year.
12. Items have been grouped in line with its functions, in order to ensure that there is appropriate coverage of the committee's key roles as defined in its terms of reference.
13. Training will continue to be provided for members on the role of the committee, and development needs will continue to be monitored to enable appropriate training to be provided as opportunities arise.
14. The committee is asked to consider whether the attached draft work programme reflects its priorities for the next year or whether there are other amendments

which it would wish to see included.

Policy implications

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

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

Community impact statement

16. 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

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Consultation

21. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

22. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

APPENDICES

No.	Title
Appendix 1	Extract from the constitution – Part 3K Audit and governance
Appendix 2	Draft work programme for 2024-25

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer	
Version	Final	
Dated	15 January 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Assistant Chief Executive – Governance and Assurance	No	No
Strategic Director of Finance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	15 January 2024	

Extract from the constitution – Part 3K Audit and governance committee**ROLE AND FUNCTIONS****Introduction**

The purpose of the audit, governance and standards committee is to provide:

1. Independent assurance of the adequacy of the council's governance arrangements, including its standards regime, the risk management framework and the associated control environment.
2. Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
3. Oversight of the financial reporting process.
4. Scrutiny of the treasury management strategy and policies.
5. A framework to promote and maintain high standards of conduct by councillors, co-opted members and church and parent governor representatives.

Audit activity

6. To approve the internal audit charter
7. To approve the risk based internal audit plan, including resource requirements.
8. To approve any significant proposed advisory services, additional to those included in the audit plan.
9. To receive information on the appointment, departure, resignation or change in chief audit executive.
10. To receive in-year summaries of internal audit and anti-fraud activity and the internal audit annual report and opinion and to consider the level of assurance it can give over the council's corporate governance arrangements.
11. To receive reports dealing with the management and performance of the provider of internal audit services, including the performance of the chief audit executive.
12. To receive reports from internal audit on agreed recommendations not implemented within a reasonable timescale.

13. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
14. To consider specific reports as agreed with the external auditor.
15. To comment on the scope and depth of external audit work and to ensure it gives value for money.
16. To have oversight over the appointment of the external auditor.
17. To commission work from internal and external audit.

Accounts

18. To review and approve the annual statement of accounts and specifically to consider compliance with appropriate accounting policies and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
19. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Treasury management

20. To review and scrutinise the treasury management strategy and policies.

Governance activity

21. To review any issue referred to it by the chief executive or a strategic director, or any council body.
22. To monitor the effective development and operation of risk management in the council.
23. To monitor the effective development and operation of corporate governance in the council and to agree actions necessary to ensure compliance with best practice.
24. To monitor council policies on 'whistle-blowing', the 'corporate anti-fraud strategy' and the council's complaints processes.
25. To receive reports from the statutory officers under the council's whistle blowing policy.
26. To provide strategic oversight on the use of the powers regulated by the Regulation of Investigatory Powers Act 2000 and to receive in-year reports on operational use.

27. To oversee the production of and agree the council's annual governance statement.
28. To review the council's compliance with its own and other published standards and controls.
29. To receive reports on retrospective contract related decisions as set out in contract standing orders.
30. To receive reports from the monitoring officer on any serious breach of the contract standing orders or procurement guidelines.

Standards activity

31. To advise the council on the adoption or revision of the members' code of conduct, the member and officer protocol and the communication protocol.
32. To monitor the operation of the members' code of conduct, the member and officer protocol and the communication protocol.
33. To monitor and advise on training provided for councillors, co-opted members and church and parent governor representatives.
34. To deal with any standards related complaints referred to it and any report from the monitoring officer on any matter which is referred to him or her.
35. To receive reports from the monitoring officer on unlawful expenditure and probity issues.
36. To consider the withholding of allowances from individual members (including elected members and co-opted members) in whole or in part for non-attendance at meetings, or, for elected members only, for failure to attend required training.
37. To establish the following sub-committees:
 - to consider complaints of misconduct against elected councillors and co-opted members
 - to consider civic awards.

Annual report

38. To report annually to all councillors on its work and performance during the year.

MATTERS RESERVED FOR DECISION

Matters reserved for decision by the main committee

39. The matters reserved for decision to the committee are as set out in the role and functions, other than those functions delegated to the relevant sub-committee.

Matters reserved for decision by the conduct sub-committee

40. To consider complaints of misconduct against elected councillors and co-opted members.

Matters reserved for decision by the civic awards sub-committee

41. To grant civic awards.
42. To consider the process by which the decisions with respect to civic awards applications are to be taken and to make recommendations to the standards committee.
43. To appoint non-voting co-opted members of the civic awards sub-committee.

Draft Work Programme for 2024-25

Items shown in brackets (✓) are standing items which will be brought forward if they arise

Item	Meeting date						Commentary
	June 2024	July 2024	Sept 2024	Nov 2024	Feb 2025	June 2025	
General							
Annual work programme for following year					✓		Draft work programme for the committee – Constitutional Officer
Annual report of audit, governance and standards committee					✓		Report on committee’s work and performance to be submitted to all councillors each year – Constitutional Officer
Internal Audit activity							
Internal audit plan and strategy for internal audit, Internal audit charter					✓		Proposed internal audit programme for future years, and to agree the internal audit charter – Strategic Director of Finance
Annual report and opinion on internal audit and anti-fraud	✓						Including review of effectiveness of system of internal audit and Strategic Director of Finance’s opinion on system of internal control and report on internal audit contractor and Strategic Director of Finance (chief audit executive) performance, and annual progress report on the anti-fraud services and special investigations team - Fraud manager

Item	Meeting date						Commentary
	June 2024	July 2024	Sept 2024	Nov 2024	Feb 2025	June 2025	
Progress report on the work of internal audit and anti-fraud		✓	✓	✓	✓	✓	Issues raised and progress on implementation of recommendations, including approval of any significant additional advisory services – Strategic Director of Finance
Schools internal audit update				✓			2024-25 only, to follow up from November 2023 internal audit update – Strategic director of children’s and adults’ services
External Audit activity							
Audit fee letters (including pension fund)	✓						Annual fee letters setting out indicative fees and planned work/outputs for the relevant year for the council and pension fund – Grant Thornton
Audit plans (including pension fund)					✓		Audit plans setting out audit work to be undertaken for audit of financial statements for the council and pension fund, including approval of any significant additional advisory services – Grant Thornton
Value for Money report (annual audit letter) (Grant Thornton)	✓						Annual audit letter (AAL) providing a summary of Grant Thornton’s assessment of the council for the year, drawing from audit of financial statements and work undertaken to assess VfM – Grant Thornton

Item	Meeting date						Commentary
	June 2024	July 2024	Sept 2024	Nov 2024	Feb 2025	June 2025	
Audit findings reports (ISA 260) – including pension fund)			✓				Annual governance report (AGR) summarising findings from audit of financial statements and work to assess VfM arrangements – Grant Thornton
Informing the audit risk assessment for the council (including pension fund)	✓					✓	Item on oversight of management's processes in relation to risks of fraud/error, compliance with relevant laws and regulations and gong concern – Grant Thornton
Audit update report	(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Standing item – update on work being planned or undertaken – Grant Thornton
Governance and standards activity							
Annual governance statement (with accounts)	✓	✓					A mandatory statement setting out the council's governance arrangements – Departmental Finance Manager (Corporate and Central Services)
Retrospective approvals to contract decisions	(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Standing item, if required – contract standing orders require retrospective contract decisions over £100k for the purpose of obtaining guidance to inform future decision making – Director of Law and Governance

Item	Meeting date						Commentary
	June 2024	July 2024	Sept 2024	Nov 2024	Feb 2025	June 2025	
Risk management and insurance					✓		Report on key risks – Head of Financial and Information Governance
Progress report on implementation of external audit recommendations	(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Standing item – progress made in implementing external audit recommendations (including audit findings) – Strategic Director of Finance
Outcomes of the whistleblowing policy				✓			Annual report to consider outcomes of the whistleblowing policy – Director of Law and Democracy
Review of complaints made under Code of Conduct					✓		Annual report on complaints made under Code of Conduct – Head of Corporate Team
Report on operational use of Regulation of Investigatory Powers Act 2000					✓		Annual report on use of powers under RIPA – Head of Corporate Team
Review of member and officer protocol and communications protocol				✓			Annual review of protocols, with recommendations for changes as needed – Head of Corporate Team
Establishment of sub-committees	✓						Report to establish conduct and civic award sub-committees in line with committee's role and functions – Principal Constitutional Officer
Appointment of non-voting members of the civic awards sub-committee					✓		Report to appoint the non-voting co-opted members of the civic awards sub-committee – Principal Constitutional Officer

Item	Meeting date						Commentary
	June 2024	July 2024	Sept 2024	Nov 2024	Feb 2025	June 2025	
Member induction and training				✓			Report on member induction and training (pre-election years and if required in other years)
Areas of governance for review during year		(✓)	(✓)	(✓)	(✓)		To invite officers to attend meetings to discuss governance arrangements
Corporate governance framework	(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Standing item – to include e.g. council policies within remit of audit, governance and standards committee; other areas as identified: pensions governance; code of governance
Budget challenge and governance	(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Standing item – to monitor budget challenges as required, including processes and governance, throughout the year
Accounts							
Statement of accounts	✓	✓					Annual statement of accounts for consideration and approval – Strategic Director of Finance
Treasury Management							
Review of the policy and strategy				✓			Review of treasury management policy and strategy – Strategic Director of Finance

Item No. 20.	Classification: Open	Date: 5 February 2024	Meeting Name: Audit, Governance and Standards Committee
Report title:		Appointment of non-voting co-opted members of the civic awards sub-committee for 2023-24	
Ward(s) or groups affected:		All	
From:		Community Projects Manager	

RECOMMENDATIONS

1. That the committee considers the nominations for the positions of co-opted members of the audit, governance and standards (civic awards) sub-committee outlined in closed Appendix 1 and agree to select three of the nominations plus the position held for the Civic Society.

BACKGROUND INFORMATION

2. The Southwark civic awards scheme was initiated in 1997 for the purposes of recognising exceptional contributions to community life by individuals and organisations in the borough. Up until 2015, the scheme was administered on behalf of the council by the Southwark Civic Association which made recommendations to standards committee for the granting of civic awards.
3. Council assembly on 8 July 2015 resolved that from the 2015/2016 civic year, the administration of the civic awards be carried out by the council pending a longer term review of the operation of the awards scheme. Officers were requested to put in place the necessary arrangements for the running of the awards within existing council resources. Council assembly in 2016 also resolved that the decisions on the granting of civic awards be delegated to a sub-committee of the audit, governance and standards committee.
4. The audit, governance and standards committee agreed at its meeting of 14 July 2016 that the membership of the audit, governance and standards (civic awards) sub-committee (henceforth "civic awards sub-committee") must include four co-opted members, two of whom should be women.
5. On 22 November 2022, the audit, governance and standards committee agreed criteria for selecting co-opted members:

Invitees should:

- Have a good understanding of the borough and its diverse communities
- Be familiar with the of borough's Voluntary and Community Sector (VCS)
- Be able to understand and evaluate nominations for Civic Awards
- Not be a nominee or represent an organisation that is nominated.

As a group, the independent members should:

- Have a gender balance
- Reflect the cultural and ethnic diversity of the borough
- Include at least one person under 25.

6. It is necessary for the audit, governance and standards committee to appoint the co-opted members formally; and the names of the volunteers will be presented in the closed appendix.

KEY ISSUES FOR CONSIDERATION

7. The granting of awards is a constitutional function of the audit, governance and standards (civic awards) sub-committee and members have the final discretion whether or not to grant an award. Members also have a particular responsibility to safeguard the non-political nature of the awards scheme.
8. Members need to be satisfied that the co-opted membership nominations meet the appropriate criteria.

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

Community impact statement

9. 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.

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource implications

13. There are none.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Southwark Constitution	Constitutional Team 2nd floor, 160 Tooley Street London, SE1 2QH http://modern.gov.southwark.gov.uk/ieListMeetings.aspx?CommitteeId=425	Virginia Wynn-Jones 020 7525 7055

APPENDICES

Appendix	Title
Appendix 1	Nominees – see CLOSED AGENDA

AUDIT TRAIL

Lead Officer	Stephen Douglass, Director of Communities	
Report Author	Virginia Wynn-Jones, Constitutional team	
Version	Final	
Dated	19 January 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant chief executive – governance and assurance	No	No
Strategic director of finance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	19 January 2024	

Item No. 21.	Classification: Open	Date: 5 Feb 2024	Meeting Name: Audit, governance and standards committee
Report title:		Review of code of corporate governance	
Ward(s) or groups affected:		All	
From:		Assistant Chief Executive (Governance and Assurance)	

RECOMMENDATION

1. That the audit, governance and standards committee formally adopts the revised code of corporate governance (attached at Appendix A), subject to any changes it would wish to make.

BACKGROUND INFORMATION

2. The council has had a code of corporate governance since 2008. Following publication of the new framework in 2016 published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) the council's governance framework has been assessed in line with the seven principles of good governance.
3. The CIPFA framework was published at a time of significant change for local authorities, driven by austerity measures. It positioned the attainment of sustainable economic outcomes as a key focus of governance processes and structures and provided a crucial link between governance and robust financial management with a need to focus on the longer term.
4. This continues to be a much needed focus as the local government sector has faced a series of economic and social shocks since 2016. Currently, high rates of inflation and interest rates and the impact of the cost of living crisis has added significant additional demand and cost pressures on local authorities. This code of governance creates a framework for how the council can pursue its vision, whilst managing risk and ensuring long term financial sustainability. The code has been now been reviewed and updated to ensure that it adequately reflects the processes and behaviours needed to enable the council to maintain good governance

KEY ISSUES FOR CONSIDERATION

5. The function of good governance is to ensure that the authority achieves its stated objectives and outcomes whilst operating in an effective and ethical manner and the purpose of the code of corporate governance is to set out what the council does to ensure that it will meet those objectives.
6. To achieve the above stated objectives and outcomes, the Code of Governance has been updated in line with the 'Southwark Plan 2022', 'Council Delivery Plan', 'Fairer Future medium term financial strategy 2022-23 to 2026-27', 'Equality Framework', 'Southwark Stands Together' and the 'Climate strategy and action plan'
7. The code of corporate governance and governance arrangements will be reviewed on an ongoing basis (and at least annually) and where necessary action plans will be

agreed to address any gaps.

Policy implications

8. This report is not considered to have direct policy implications. The proposed revised code sets out the arrangements the council has in place which will help ensure that it will meet its stated objectives and outcomes whilst operating in an effective and ethical manner.

Community impact statement

9. The proposed changes to the code are not considered to have a significant impact on any particular community or group.

Resource implications

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

Consultation

11. The Code of Governance was reviewed by the Corporate Management Team on the 23rd January 2024.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

12. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Southwark Plan 2022	https://www.southwark.gov.uk/assets/attach/94325/Southwark-Plan-2022.pdf	160 Tooley Street, London, SE1 2QH Available from reception
Council Delivery Plan	https://www.southwark.gov.uk/assets/attach/162473/Council-Delivery-Plan-CDP-22-26-FINAL.pdf	160 Tooley Street, London, SE1 2QH Available from reception
Fairer Future medium term financial strategy 2022-23 to 2026-27	https://www.southwark.gov.uk/assets/attach/103141/Fairer-Futures-MTFS.pdf	160 Tooley Street, London, SE1 2QH Available from reception
Southwark Council Equality Framework	https://www.southwark.gov.uk/assets/attach/93681/Southwark-Equality-Framework-summary.pdf	160 Tooley Street, London, SE1 2QH Available from reception
Southwark Stands Together	Southwark Stands Together https://www.southwark.gov.uk/engagement-and-consultations/southwark-stands-together-er-Southwark-Council	160 Tooley Street, London, SE1 2QH Available from reception

Climate strategy and action plan	Climate Change Strategy https://www.southwark.gov.uk/assets/attach/48607/Climate-Change-Strategy-July-2021-.pdf	160 Tooley Street, London, SE1 2QH Available from reception
	Climate Change Action Plan https://www.southwark.gov.uk/assets/attach/128550/Climate-Change-Action-Plan-Accessible.pdf	

APPENDICES

No.	Title
Appendix A	Code of corporate governance

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Assistant Chief Executive (Governance and Assurance)	
Report Author	Sarah Feasey, Head of Law (Communities)	
Version	Final	
Dated	26 January 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Assistant Chief Executive (Governance & Assurance)	YES	YES
Strategic Director of Finance	YES	YES
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team	26 January 2024	

London Borough of Southwark

Code of Corporate Governance

Introduction

1. Corporate governance is about how we ensure that we are doing the right things, in the right way, for the right people, in a timely, inclusive, honest and accountable manner. It comprises systems and processes, and cultures and values, by which the authority is directed and controlled and through which we account to, engage with and lead our community.
2. Southwark Council is committed to upholding the highest possible standards of good corporate governance, believing that good governance leads to high standards of management, strong performance, effective use of resources, increased public involvement and trust in the council and ultimately good results.
3. Good governance flows from shared values, culture and behaviour and from systems and structures. This code of corporate governance is a public statement that sets out the framework through which the council meets its commitment to good corporate governance. It is built around the 'CIPFA Delivering Good Governance in Local Government 2016 Framework'¹ which sets out the following seven core principles of good governance, which are:
 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - Ensuring openness and comprehensive stakeholder engagement
 - Defining outcomes in terms of sustainable economic, social, and environmental benefits
 - Determining the interventions necessary to optimise the achievement of the intended outcomes
 - Developing the entity's capacity, including the capability of its leadership and the individuals within it
 - Managing risk and performance through robust internal control and strong public financial management
 - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
4. The CIPFA framework was published at a time of significant change for local authorities, driven by austerity measures. It positioned the attainment of sustainable economic outcomes as a key focus of governance processes and structures and provided a crucial link between governance and robust financial management with a need to focus on the longer term. This continues to be a much needed focus as the local government sector has faced a series of economic and social shocks since 2016. Currently, high rates of inflation and interest rates and the impact of the cost of living crisis has added significant additional demand and cost pressures on local authorities. This code of governance creates a framework for how the council can pursue its vision, whilst managing risk and ensuring long term financial sustainability.

¹ CIPFA (2016) Delivering Good Governance in Local Government: Framework

Governance Framework

Roles and responsibilities

5. The [constitution](#) is the key governing document for the council. It describes how the business of the council is managed, and states the responsibilities of council members and chief officers.
6. All [councillors](#):
 - a) represent their communities and bring their views into the council's decision making process, i.e. become the advocate of and for their communities
 - b) deal with individual casework and act as an advocate for constituents in resolving particular concerns or grievances
 - c) balance different interests identified within the ward and represent the ward as a whole
 - d) maintain the highest standards of conduct and ethics
 - e) contribute to the good governance of the area and actively encourage community participation and citizen involvement in decision making functions
 - f) sit on council assembly.
7. Council assembly as the decision making body determines the budget and policy framework of the council.
8. The council assembly elects a leader for a term of four years. The leader provides leadership to the borough by setting the strategic direction and key priorities of the council and representing the council in the community and in negotiations with regional and national organisations and the council's statutory partners.
9. The leader appoints a deputy leader and a cabinet of up to nine members, each holding a special portfolio of responsibility, and determines the extent of any delegations to individual cabinet members. The leader may also appoint deputy cabinet members, who may hold responsibility for specific tasks designated by the leader, in consultation with the monitoring officer. Deputy cabinet members may not exercise any delegated powers given to the cabinet member but may work closely with the relevant cabinet member.
10. The leader and cabinet are responsible for overseeing the executive functions of the council and only make decisions that are within the budget and policy framework.
11. The constitution specifies the roles of the statutory officers:
 - the head of paid service – the chief executive – responsible and accountable to the council for all aspects of operational management
 - the section 151 officer (chief financial officer) – strategic director of finance – responsible to the council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control
 - the monitoring officer – assistant chief executive (governance and assurance) – responsible to the council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with
 - The scrutiny officer – head of overview and scrutiny – provides guidance

and support to members and officers in relation to the overview and scrutiny committee and its scrutiny commissions.

12. The constitution also lists the following officers with statutory responsibilities, who are required by legislation to be appointed:
 - electoral registration officer and returning officer – chief executive
 - director of children’s services – director of children’s services
 - director of adult social services – strategic director of children’s and adults’ services
 - director of public health – director of public health
 - data protection officer – assistant chief executive –governance and assurance
13. The Chief Executive leads and chairs the council’s Corporate Management Team (CMT) which also comprises the strategic directors and assistant chief executives (the council’s chief officers). Operational responsibility for the implementation of policies is delegated to chief officers and heads of services. Chief officers are responsible for compliance with legislation and the council’s own policies and procedures, and develop procedures to ensure compliance within their department. Strategic directors further devolve decision making to divisional service managers and business unit managers through departmental schemes of management
14. The strategic director of finance (s151 officer) produces a scheme of delegation for financial authority and accountability to formally devolve the management of the council’s finances within departments to strategic directors.
15. The roles and responsibilities of all employees are specified in formal job descriptions for each position.
16. The member and officer protocol ensures that effective communication and a constructive working relationship exists between members and officers in their respective roles.
17. The constitutional steering panel reviews the constitution at least annually and proposes any changes to the council assembly for approval.

Strategy and Planning

18. The cabinet develops and promotes a vision for Southwark articulated through the Borough plan (or equivalent), which will be regularly 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.
19. The council’s vision makes clear to all members, staff and the community, to whom we are accountable and for what. It is clearly communicated on the council website, making it universally accessible to residents, service users and key stakeholders.
20. The council delivery plan describes in detail how we intend to achieve our vision. It defines specific measures through which we will assess the achievements against our priorities.
21. The council delivery plan is developed alongside the medium term financial strategy, which enables the council to make best use of financial, human, technological and other resources available.
22. The council’s medium term financial strategy (MTFS) is aligned to the council delivery plan, is regularly updated and reported to cabinet throughout each

year. It ensures transparency around the council's commitment to robust financial management and financial sustainability. Policies and priorities are set out within the projected available financial resources. In addition, it allows for a longer term view of how the council's vision and outcomes can be achieved within the context of the wider economic climate and central government funding of local authorities.

23. Service planning and individual officer work planning are developed from the council plan, with appropriate performance targets agreed at every level.
24. Detailed budgets are aligned to corresponding plans following a robust budget challenge process, which challenges managers to demonstrate efficiency, value for money and achievement of council plan outcomes.
25. The council also has a clearly articulated set of values which underpin its vision and inform all the council's work and its priorities.
26. The council places equality and diversity at the heart of its vision, which is described in its Equality Framework. The council recognises the disadvantage experienced by some communities and individuals and will evaluate the differential impact of our services and policies to ensure that everyone has the opportunity to thrive and achieve their maximum potential.
27. The council committed to the commissioning an independent Equality Audit process in the summer of 2023, involving 360 degree appraisals in order to review all practices in relation to equalities, diversity and inclusion alongside the development of the "Southwark Stands Together" programme as part of its commitment to becoming an anti-racist organisation.
28. The council declared a climate emergency in 2019, and has set out a climate change strategy and action plan which includes a consideration of the climate impact of its decisions.
29. The council consults and engages with stakeholders in all areas of its business. It welcomes the public's and community's views as part of the constitutional process. The ways within the council for these views to be considered are through consultation and engagement processes, attendance at local meetings (e.g. area based meetings) or contact with a local ward councillor. Trades unions are consulted on issues that affect council staff.
30. Southwark has five community champions, one for each multi-ward area. The champions provide overview and guidance for meetings organised through the Democracy Fund and an opportunity for residents to influence how council services are delivered.

Performance Management

31. The council continually monitors and reviews progress against targets in the council delivery plan throughout the year and reports on these at the year end.
32. The leader, with the cabinet relevant named member for finance and performance, holds each portfolio holder to account, including discussion and review on a quarterly basis of performance issues within their portfolio. The reviews monitor progress against portfolio targets as agreed through the council plan annually and include discussion of outcomes being delivered, any risks in achievability as well as celebrating success.

33. Regular briefings take place between chief officers, other senior officers and the relevant cabinet member on the totality of portfolio business. These inform, and are informed by, outcomes from the quarterly review process with the leader. Outcomes are reported as part of the annual and other such relevant reports.
34. Departmental level performance is monitored at Corporate Management Team meetings, and Chief Executive one-to-ones as appropriate.
35. The council monitors feedback from our residents and service users including through the use of satisfaction surveys undertaken. These inform future performance and budget planning as appropriate.
36. A complete programme of learning and development is available to officers and members. Senior officers are also expected to keep abreast of developments in their profession.
37. 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 delivery of their roles.

Managing risk

38. Both council assembly and cabinet meetings are normally open to the public, unless matters are discussed which must be kept confidential for a specific reason. A forward plan of forthcoming key decisions is published on the council's website.
39. Members making decisions are supported by appropriate systems to help ensure that decisions are implemented and that resources are used legally and efficiently. The council provides robust corporate and departmental support to members in policy and decision making. There is a reporting framework that helps ensure that members are presented with the appropriate information to make decisions, including the key issues for consideration, reference to relevant sustainability considerations, a community impact statement, and advice on financial and legal implications. All member level decisions are made on the basis of reports and are formally recorded.
40. All decisions of the council are made in accordance with the following principles:
 - the link between strategy and implementation must be maintained
 - decision making generally, whether by individual officers, individual cabinet members or the cabinet collectively, should have reference to the policy framework
 - respect for human rights, law and probity
 - due consultation and the taking of professional advice from officers
 - proportionality (i.e. the action must be proportionate to the desired outcome)
 - a presumption in favour of openness
 - clarity of aims and desired outcomes
 - consideration of the likely climate consequences and the likely equality consequences of the relevant decision
41. The monitoring officer ensures that all decisions made are legal and supports the audit, governance and standards committee in promoting high standards of conduct amongst members.
42. 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.

43. The council maintains an audit, governance and standards committee, which is responsible for monitoring the effective development and operation of corporate governance in the council. It provides independent assurance of the adequacy of the council's governance arrangements, including the risk management framework and the associated control environment, the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, oversight of the financial reporting process and scrutiny of the treasury management strategy and policies.
44. The council's risk management strategy ensures proper management of the risks to the achievement of the council's priorities. All departments have departmental risk champions and the strategic director of finance is the corporate risk champion.
45. All departments, divisions and business units have risk registers and all risks are allocated an owner. Risks are identified at least annually and reviewed at least quarterly by each department.
46. Decision making reports require consideration of risk in terms of current and potential risks over the medium term, including how they will be managed and mitigated.
47. The strategic director of finance provides financial regulations, and detailed finance protocols, procedures, guidance and finance training for managers and staff.
48. Strategic directors maintain an adequate framework of internal controls (e.g. authorisation, reconciliations, separation of duties, etc.) within their departments.
49. The council maintains an internal audit service, which provides assurance on the adequacy of the council's internal control and risk management framework.
50. The strategic director of finance, as the council's senior information risk owner, ensures that effective arrangements are in place to manage and share data appropriately.
51. The council is committed to fighting fraud and corruption, whether attempted from inside or outside the authority, and takes appropriate action against the perpetrators. The council maintains an anti-fraud strategy and fraud response plan, supported by fraud awareness training and professional fraud investigations to promote an anti-fraud culture in the organisation.
52. The council maintains a whistleblowing policy to encourage members, staff, contractors and agents to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment.
53. The policy and procedures are published on the council's website and intranet and provide avenues to raise concerns and receive appropriate feedback. Whistleblowers are protected as far as is possible from any reprisals or victimisation if they make the disclosure in an appropriate manner and in good faith. All concerns raised under the whistleblowing policy are recorded by the monitoring officer.
54. Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. The monitoring officer ensures that all partnership agreements are fit for purpose

and the council's interests are protected.

55. Decisions on service delivery options and contract awards are subject to challenge by senior management teams and by departmental and corporate contract review boards.

Transparency and Accountability

56. The council expects the highest standards of conduct and personal behaviour from members and staff. These standards are defined and communicated through codes of conduct, which are communicated to members and staff through the council's intranet and as part of induction training.
57. The Localism Act 2011 makes it a duty to promote and maintain high standards of conduct by members of the authority. The council maintains an effective audit, governance and standards committee, which maintains high standards of conduct among elected members and investigates complaints against those who have contravened the code of conduct. It considers reports and advice from the monitoring officer on unlawful expenditure, probity issues, and issues raised under the whistleblowing policy.
58. Both councillors and senior officers make declarations of interests and register gifts and hospitality. The monitoring officer maintains a register of interest for members and makes it available for public inspection.
59. All council meetings are held in public unless there are specific reasons for confidentiality. Meeting agendas are published on the council website in advance of meetings.
60. A forward plan of forthcoming key decisions is published on the council's website and all formal decisions are documented and are based upon a written report recording the criteria, rationale and considerations on which the decisions are based. Decision reports include professional legal and financial advice and reports for member decisions are published on the council's website at least five days before the decision is to be taken.
61. Minutes of meetings and details of decisions taken are published on the council's website.
62. The council's overview and scrutiny committee and its scrutiny commissions undertake scrutiny of the executive function in a number of ways:
- reviews into individual topics
 - "call in" – scrutiny of decisions of the cabinet before they are implemented
 - consideration of matters brought forward by individual councillors
 - call to account of officers on receipt of a petition of 500 or more signatures.
63. The council maintains a corporate complaints policy in line with Ombudsman guidelines and good practice, which is available on the council's website. The council uses the information gained from complaints to help drive forward improvements and to respond positively to customers' needs and expectations. All lessons learned and service improvements brought about from complaints will be reported through departmental senior management teams.
64. The council publishes on the website an annual report, which provides full analysis of our achievements, activities and performance for the year.
65. The council's financial performance is reported in the annual statement of accounts.
66. In line with its commitment to being an open, accountable and transparent

authority, the council publishes a range of information on its website. This includes data on spending; grants to voluntary, community and social enterprise organisations; procurement; land and building assets; social housing asset data; organisational structure and salary details; trade union facility time; parking account and parking spaces and counter fraud work.

67. The council's auditors provide assurance on the council's arrangements for achieving value for money.

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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

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