

Audit, Governance and Standards Committee

Thursday 5 September 2024
6.30 pm

Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1 2QH

Membership

Councillor Barrie Hargrove (Chair)
Councillor Maggie Browning
Councillor Dora Dixon-Fyle MBE
Councillor Nick Johnson
Councillor Graham Neale
Councillor Andy Simmons
Councillor Michael Situ

Reserves

Councillor Gavin Edwards
Councillor Esme Hicks
Councillor Richard Leeming
Councillor Margy Newens
Councillor David Watson

INFORMATION FOR MEMBERS OF THE PUBLIC

Access to information

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Contact

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

Members of the committee are summoned to attend this meeting

Althea Loderick

Chief Executive

Date: 28 August 2024



Audit, Governance and Standards Committee

Thursday 5 September 2024

6.30 pm

Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1 2QH

Order of Business

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PART A - OPEN BUSINESS

The chair would like to remind members that prior to the meeting they have the opportunity to inform officers of particular areas of interest relating to reports on the agenda, in order for officers to undertake preparatory work to address matters that may arise during debate.

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. CONFIRMATION OF VOTING MEMBERS

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

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

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

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

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

5. MINUTES

1 - 4

To approve as a correct record the minutes of the open section of the meeting held on 3 June 2024

Item No.	Title	Page No.
6.	GOVERNANCE CONVERSATION: STRATEGIC DIRECTOR OF ENVIRONMENT, NEIGHBOURHOODS AND GROWTH	
	Toni Ainge, the interim strategic director of environment, neighbourhoods and growth, to attend the committee.	
7.	AUDITOR'S ANNUAL REPORT ON SOUTHWARK COUNCIL 2022-23	5 - 41
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13.	DRAFT 2023/24 STATEMENT OF ACCOUNTS FOR SOUTHWARK COUNCIL	166 - 325
14.	ANNUAL GOVERNANCE REPORT 2023-24	326 - 357
15.	2024-25 Q1 REPORT OF THE CORPORATE ANTI-FRAUD TEAM AND THE SPECIAL INVESTIGATIONS TEAM	358 - 364
16.	HOUSING REVENUE ACCOUNT UPDATE	365 - 371
17.	MEMBERSHIP OF AUDIT, GOVERNANCE AND STANDARDS SUB-COMMITTEES FOR 2024-25	372 - 376
	ANY OTHER OPEN BUSINESS AS NOTIFIED AT THE START OF THE MEETING AND ACCEPTED BY THE CHAIR AS URGENT	

Item No.

Title

Page No.

EXCLUSION OF PRESS AND PUBLIC

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

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

PART B - CLOSED BUSINESS

Date: 28 August 2024



Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Monday 3 June 2024 at 6.30 pm at Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1 2QH

PRESENT:	Councillor Barrie Hargrove (Chair) Councillor Nick Johnson Councillor Andy Simmons Councillor Michael Situ
OFFICER SUPPORT:	Clive Palfreyman, strategic director of finance Doreen Forrester-Brown, assistant chief executive, governance and assurance Sarah Feasey, deputy head of law (communities) Tim Jones, departmental finance manager Geraldine Chadwick, senior finance manager Aaron Winter, BDO Fleur Nieboer, KPMG Philip Kent, KPMG Virginia Wynn-Jones, constitutional team

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Cassandra Brown, Dora Dixon-Fyle and Graham Neale, and from Angela Mason-Bell, 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 committees of 25 April 2024 and 22 May 2024 were agreed as a correct record.

6. GOVERNANCE CONVERSATION: ASSISTANT CHIEF EXECUTIVE, GOVERNANCE AND ASSURANCE

Doreen Forrester-Brown, the assistant chief executive (governance and assurance) and Sarah Feasey, deputy head of law (communities) addressed the committee. The committee had questions for the officers.

Officers undertook to circulate information on the number of people turned away from GLA elections for not having voter ID.

Officers undertook to bring back an update on the member enquiries work to the committee in November.

Members thanked the assistant chief executive and deputy for attending the meeting.

7. INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE - INTERIM

BDO introduced the report. Members had questions for BDO.

BDO undertook to update the format of the report to flag any delayed audits or audit responses.

RESOLVED:

That the committee noted the report, as attached at Appendix A of the report.

8. INTERNAL AUDIT PROGRESS REPORT

BDO introduced the report. Members had questions for BDO.

BDO and officers undertook to update the committee by the next meeting with information on the council's cyber security and cyber resilience.

RESOLVED:

That the committee noted the report, as attached at Appendix A of the report.

9. 2023-24 ANNUAL REPORT OF THE CORPORATE ANTI-FRAUD TEAM, FINANCE AND THE SPECIAL INVESTIGATIONS TEAM

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

Officers undertook to circulate an update to the committee on how long NFI datamatching will take to complete.

Officers undertook to update future reports to include comparisons with previous years for resources used and outcomes, more information on Blue Badge fraud, and internal compared to external fraud percentages.

RESOLVED:

That the committee noted the annual report of the Corporate Anti-fraud Team (CAFT) and the Special Investigations Team (SIT) for the year 2023-24.

10. EXTERNAL AUDIT PLAN & STRATEGY FOR SOUTHWARK COUNCIL 2023/24

KPMG introduced the report. Members had questions for KPMG.

The chair welcomed KPMG as the council's new external auditors.

RESOLVED:

That the committee noted the external audit plan for 2023-24 for Southwark Council.

11. DRAFT ANNUAL GOVERNANCE REPORT 2023-24

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

RESOLVED:

That the committee noted the draft annual governance statement 2023-24.

12. COMPLIANCE WITH CIPFA FINANCIAL MANAGEMENT CODE

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

RESOLVED:

That the committee noted the report.

13. ANNUAL REPORT ON THE WORK AND PERFORMANCE OF THE AUDIT, GOVERNANCE AND STANDARDS COMMITTEE IN 2023-24

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

Officers undertook to circulate training opportunities from external organisations to committee members when relevant.

RESOLVED:

That the committee:

1. Noted the outcome of the CIPFA self-evaluation questionnaire
2. Agreed the approaches for committee development set out in table 1 of the report.

14. MEMBERSHIP OF AUDIT, GOVERNANCE AND STANDARDS SUB-COMMITTEES FOR 2024-25

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

RESOLVED:

1. That the committee appointed Councillors Michael Situ, and Nick Johnson to form the audit, governance and standards (standards) sub-committee, with the final position to be agreed at the next meeting.
2. That the committee appointed Councillor Michael Situ as chair of the sub-committee.
3. That the committee appointed Councillors Barrie Hargrove, Graham Neale and Margy Newens to form the audit, governance and standards (civic awards) sub-committee, with the final position to be agreed at the next meeting.
4. That the committee appointed Councillor Barrie Hargrove as chair of the sub-committee.

Meeting ended at 8.30 pm

CHAIR:

DATED:

Meeting Name:	Audit, governance and standards committee
Date:	5 September 2024
Report title:	Auditor's annual report on Southwark Council 2022-23
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Strategic Director of Finance

RECOMMENDATION

1. That the audit, governance and standards committee note the external auditor's annual report for 2022-23, 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 2022- 23.

Policy framework 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 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

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.

Further guidance

7. None required.

Climate change implications

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

Resource implications

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

Consultation

10. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

11. None required.

BACKGROUND DOCUMENTS

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

APPENDICES

No.	Title
Appendix A	Auditor's Annual Report on Southwark Council 2022-23

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Joanne Brown; Grant Thornton UK LLP	
Version	Final	
Dated	5 August 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	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team	5 August 2024	

Auditor's Annual Report on Southwark Council

2022/23

September 2024

FINAL

This report includes the findings from our review of an objection raised in 2021-22. We have not reissued the 2021-22 Auditor's Annual Report but have noted the impact of its findings on our 2021-22 conclusion in this report.



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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



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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Executive summary



Value for money arrangements and key recommendation(s)

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 required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. 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. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	Risk identified because of challenges to the affordability of the housing capital programmes.	Significant weakness in arrangements identified and one improvement recommendation has been 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. One improvement recommendation made.	One significant weaknesses in arrangements identified relating to the Council's arrangements for funding and monitoring housing Tenant Management Organisations.	
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified. Two improvement recommendations made (brought forward from 2021/22)	No significant weaknesses in arrangements identified but improvement recommendations made	

Executive summary (continued)



Financial Sustainability

The Council has a track record of managing its finances effectively and in spite of what has been a turbulent period in public sector finances due to the Covid-19 pandemic, the war in Ukraine and the cost-of-living crisis **and outside of the challenges it has had with its HRA where the financial challenges have been significant and where we have identified a significant weakness in last year's report which the council is now addressing (see later in the Exec summary)**, the Council has maintained control of its finances. We note the financial challenges ahead are significant, especially in the latter years of the Medium-Term Financial Strategy (MTFS) to the end of 2026/27. However, early indications and the forecast position for 2023/24 indicate that the Council is managing that uncertainty well. The MTFS identifies savings requirements of £10m still to achieve over the period to end 2026/27 but the combination of prudent assumptions in the MTFS plus a developing transformation programme give confidence that the council will be able to meet the savings targets. Added to this, the Council has been prudent in its management and use of reserves which are at generally accepted recommended levels.

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. The exception to this was in relation to the significant weakness in the financial management of the capital programme in regard to housing which we have considered separately in this executive summary. We have not identified any further significant weaknesses or key recommendations. We have raised one improvement recommendation as a result of our review.

Note that we have addressed the key recommendations from the 2021-22 on pages 6 and 7 below.



Governance

During the year we have been responding to an objection from a member of the public, made under section 27 of the 2014 Local Audit and Accountability Act 2014, relating to the Council's arrangements for funding and monitoring the activities of a local Tenant management Organisation (TMO). The objector was concerned that: Council funding, earmarked to be spent on external decorations, of over £1.8 million during the period 2008 to 2022, had not been spent as intended; that the TMO had not kept appropriate financial records; and that the Council's monitoring arrangements over the period had been inadequate. We agreed that the Council's Internal Audit service would undertake enquiries regarding the matters raised and, following completion of their work in January 2024, we concluded that Internal Audit had fully addressed to our satisfaction all of the matters raised by the objector within the objection and that the concerns raised were valid and hence that the objector's concerns were upheld (see pages 17 and 21). We were satisfied that Internal Audit had demonstrated sufficient impartiality and challenge to the Council in concluding its work. The objector had requested that we issue a Report in the Public Interest, which was a relevant consideration, given Internal Audit's findings. However, in this instance we decided to apply our discretion not to produce such a report, as the Council had formally accepted all of Internal Audit's findings and had debated the matter fully and transparently, in public, in a meeting of the Council's Audit, Governance and Standards on 25 April 2024. At that meeting, members had agreed a series of actions to address the matters raised and we consider that it will be important for the Council's new external auditor to monitor progress in this area and we will discuss with the new external auditor, appointed for 2023/24 onwards, the monitoring of those actions, taking into account our respective responsibilities under the Code of Audit Practice. Given the findings, we concluded that there had been a significant weakness in the Council's governance arrangements for the funding and monitoring of 3rd party activities and raised a key recommendation to that effect, as required by paragraph 3.14 of the 2020 Code of Audit Practice and paragraph 60 of AGN 03 and under section 27(6) of the Local Audit and Accountability Act 2014.

With a new permanent Chief Executive and statutory head of paid service in-situ since May 2022, the Council has been reorganising its senior management structure to realign the leadership to a refreshed Council Delivery Plan. Key changes include appointment of a new Strategic Director of Finance and Governance (s151 officer) in May 2023 and a replacement Housing Director in December 2023. These changes will support the way the Council tackles ongoing governance issues highlighted in the prior financial year which include the Council's ambitious housing programme, cyber security and a commitment to ensure Southwark is carbon neutral by 2030

The Centre for Governance and Scrutiny were invited in August 2022 to evaluate the scrutiny function of the Council, explore options, and make suggestions on how processes could be improved. Findings of the review are being considered for 2023/24 and it is encouraging that this reported in April 2023 that "scrutiny had a good foundation in Southwark." The Council is now addressing the 11 recommendations of the report.

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We note that the CEO has implemented a new leadership structure with 5 new Strategic Directors. This structure appears to be bedding in well and based on the findings of our review, we consider there to be appropriate tone from the top. We note that the composition of the Audit, Governance and Standards Committee is relatively new following recent elections. We have not identified any significant weaknesses and have not raised any key recommendations or improvement recommendations.

Executive summary (continued)



Improving economy, efficiency, and effectiveness

The Council has updated its performance management arrangements in the past year. We note that this work is in progress and the direction of travel is positive. As with all Councils, Housing presents financial challenges and the turbulence in the wider economy has impacted on costs for repairs and maintenance. That, allied to increased regulatory requirements, means the Housing service is under pressure as we have noted in our follow up to the 2021-22 key recommendations. The Council has recognised this and its new Housing Strategy underpinned with a revised HRA Business plan and Asset Management strategy means that the Council is responding positively to managing those pressures.

We note the relatively slow progress on our recommendations from the 2021-22 report for procurement and contract management arrangements but acknowledge that the final report was not presented until the January 2024 Audit, Governance and Standards Committee plus the new Chief Finance Officer needed time to assess the structure and functions of the Finance department. We are pleased to note that plans are in place for the procurement review to take place in the first half of 2024. Significant challenges in the Housing service that we reported on in the prior year, continue to be an area of focus for the Council but again we note that significant progress has been made in addressing these.

We have not identified any significant weaknesses and have not raised any key recommendations or improvement recommendations.

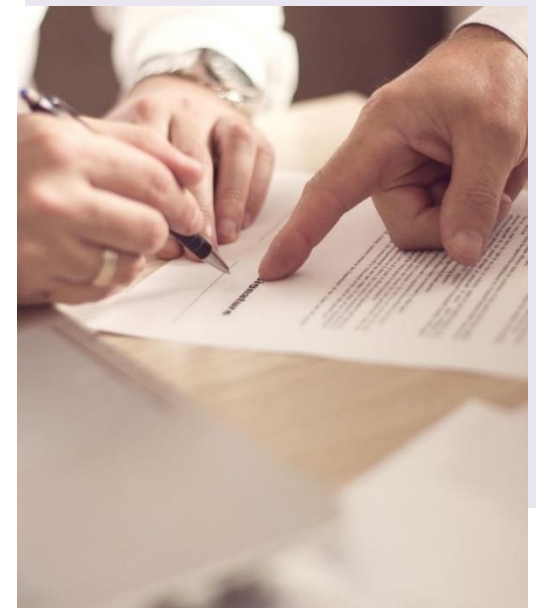
Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by Council officers, Council Members and external stakeholders with whom we have engaged during the course of our review.



Financial Statements opinion

We have been working on both the 2021-22 and 2022-23 year audits and expect to issue unmodified opinions on these audits in April subject to the remaining items mentioned in the respective audit finding reports being concluded upon.



Executive summary (Prior year Significant Weaknesses)

Key recommendations from 2021-22 Report – Follow up

Our 2021-22 annual audit report (presented January 2024) highlighted a number of significant weaknesses in relation to the Council's housing service. The concerns related to the Asset Management Strategy (AMS). The 2016 AMS identified a funding requirement (in 2015 terms) of £796.5 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 Quality Homes Improvement programme (QHIP). The AMS is now in the process of being updated as we note below. Our concerns also related to the completeness of up-to-date stock condition information which we referenced in our 2020/21 Auditor's Annual Report. In particular, we were concerned that under current projections, the Council did not have access to sufficient funds to ensure the affordability of its capital programme impacting on the Housing Revenue Account (HRA). This was 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. We made 4 key recommendations in the report and our 2022-23 audit has followed up with key senior Finance and Housing staff on how the Council has addressed these recommendations.

It is important to note that these issues came to our attention during our work on VfM for the financial year 2021/22 and continued to apply in 2022/23. This report primarily relates to financial year 2022/23 and therefore for that period, we consider it appropriate that the significant weaknesses previously identified and the corresponding key recommendations still apply to that year. However, we do note that progress has been made, particularly in the current year 2023/24 and we are pleased to recognise this in our commentary against each of the four key recommendations set out below.

Key recommendation 1: We recommended that the Council introduce 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.

The Council has just agreed a 2-year capital programme commencing April 2024 which in effect is a replacement for the QHIP programme. This includes decency standard and building safety requirements so will be up to date in terms of statutory requirements. The stock condition reset is starting imminently with the work currently out to tender. The expectation is that it will be complete within 18 to 24 months in time to inform a 3-5 year Asset plan from that point forwards. This will then be a 5-year rolling programme which will feed the Council's asset database. Contracts will be awarded through existing partnering contractors and the use of new contractors through updated frameworks. The Housing Recovery Board has been set up to ensure refreshed costs are aligned to the Council's budget to deliver the asset management programme. The outcome provided the 2 year capital programme to inform the Council's budget planning. There is also an annual review of costs with cost consultants to look at the inflationary pressure on the programme.

Key recommendation 2: We recommended 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 noted that the Council had 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.

The Council is working with cost consultants and partners to manage the programme within the Council's current budget. It has already made revisions to the original budget in the QHIP programme and we are satisfied that the current programme is based on a more realistic estimate of the costs. The Council acknowledges that there is further work to do to further strengthen the Council's understanding of projected costs. The financing of the programme will draw from the major repairs reserve (£50m), revenue contributions to capital outlay (RCCO - £20m) with the remainder to be funded from increased borrowing (c. £30m) together with the pausing of schemes within the new build programme providing savings in interest costs that would have impacted the revenue account. In the longer term, the intention is that the repayment of borrowing will be partially met by selling off surplus properties. The Council acknowledges that this will need to be closely monitored as it will be impacted by economic conditions and market values.

With reference to the SCS the Council has now received approval at Gateway 1 and can proceed to Gateway 2. Data collection is expected in the 18-24 month period to inform the future AMS. The current building safety programme is informing the Council of its stock condition but is limited to high rise blocks. The SCS will capture the traditional data on decency combined with building safety data.

Executive summary (Prior year Significant Weaknesses)

Key recommendations from 2021-22 Report – Follow up (continued)

Key recommendation 3: We recommended 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 Council has been working hard to update the stock condition survey data, taking into account the requirements of new legislation in areas such as fire safety and damp and mould. The refreshed data will ultimately help inform revisions to the asset management strategy. Although the government has been recommending 100% stock condition surveys this is likely to be beyond the capability of the Council to deliver in the short term and the focus is therefore on priority areas under the new regulations and in delivering sufficient coverage of stock to allow maintenance demands to be extrapolated with a reasonable degree of accuracy. The priority for the Council is the high-rise buildings as that is what the legislation specifically references. Low rise buildings will come after these have been surveyed in terms of priority. The Council has started its stock condition data collection for high rise building safety and that will be combined with other key elements of decent homes standards across the Council's housing stock. It is highly likely that this process will identify additional cost pressures and the Council is setting aside contingencies to mitigate this risk within the new funding solution.

The database to capture asset component information is Apex. The Apex system is deemed compliant and the quality of the data input is being managed by the Council. A new database is to be introduced called 'True Compliance' which will capture building safety, decency and compliance information and integrates with the housing management system. This will in time replace Apex.

Key recommendation 4: We recommended 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

Historically the Council has had a £50m budget reserve for housing stock which they have supplemented by the use of revenue contributions from the HRA. Now that budget has been increased to £100m+ to take account of the additional work likely to be required. This has been funded via borrowing which the Council is planning to pay back via capital receipts by selling off void properties. It is unusual for the Council to borrow for asset management rather than for new homes but it has been necessary and payback plans are in place so the borrowing is just to get the Council over the spike in activity they're seeing at the moment arising from building safety and fire safety regulations with the plan to return back to a slightly more sustainable budget as soon as possible.

Conclusion

In summary, having discussed progress against each of our four key recommendations from 2021-22 we are pleased to note that the Council has made good progress in addressing all the issues. The imminent start of the stock condition survey which is expected to take up to 18-24 months is welcome as this will ultimately provide the necessary data to both update the Council's asset management system and at the same time feed into the 3-5 year asset strategy. It is clear the Council is taking the recommendations seriously and putting in the required effort to rectify its stock condition data and build a credible asset strategy and this is to be commended. As 2022/23 represents the last year of our appointment as auditors to the Council it will be a matter for your new auditor to consider the status of these issues and the full implementation of the key recommendations in their assessment of VfM in 2023/24. Council is aware of long time frame but as they are looking at high priority areas first they hope to mitigate highest areas of risk early in the process (eg fire safety) and then to expedite the remainder of the programme to bring forward that time frame.

Securing economy, efficiency and effectiveness in the Council's use of resources

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.

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.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit, Governance and Standards Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 9 to 26.

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
- 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.

In 2022/23, the Council was still recovering from the financial effects of the pandemic as funding from the Government to meet additional costs wound down. However, there were additional financial pressures on the budget from issues such as rising energy costs, inflation, interest rates, Brexit and supply chain issues. The Council therefore faced a difficult economic backdrop against which it had to make spending and funding decisions to ensure future financial sustainability.

Financial Outturn 2022-23

London Borough of Southwark (LBS) Council has historically performed well in managing its finances, with a track record, outside of the Housing service and Housing revenue account (HRA) which has had its own set of unique challenges, of strong financial and budgetary management despite the challenging environment in which it is operating. The Council achieved a surplus of £15.6m before transfers to Reserves in 2022/23.

The Housing Revenue Account had an overspend of £19.8m (gross) which is substantially due to the exceptional impact of energy costs, primarily gas and electricity in the district heating account and electricity for other services such as estate lighting, etc. which are borne by residents either through their weekly heating charge or service charge for homeowners. However, the position is ameliorated through better than expected rental income performance, one-off service underspends elsewhere across the HRA, and a combination of financing measures, including a necessary reduction in the level of revenue contribution to the capital programme and the use of £6.7m of reserves to ensure a balanced position at year-end.

Financial forecast outturn 2023/24

The Council originally set a General Fund (GF) revenue budget for 2023/24 of a net cost of £435.7m which included a savings target of £16.4m. The Housing Revenue Account (HRA) budget was set at £137m.

The period 8 Monitoring Report which went to Cabinet in November 2023 updated members on the forecast outturn for the year. This predicted the GF to be £3.4m over budget. This included a number of pressures:

- Higher demand and cost pressures in home to school transport;
- £1.3m increased costs for those who have 'No Recourse to Public Funds' (NRPF)
- Temporary accommodation (TA) demand pressures which will not be fully contained within the planned TA contingency.

The HRA is showing an overspend of £16.8m. This position is the result of a number of factors largely outside the Council's control, such as government policy and macro-economic events which include:

- The cumulative effect of a government imposed 1% rent reduction for four years for the period 2016-17 to 2019-20 (millions in income foregone;
- A government imposed 7% cap on rents from 1st April 2023 when formula rent would have yielded 11.1%, an annual loss of £9m+ in the current year and a reduced income base going forward;
- Unfunded additional burdens arising from the Fire Safety and Building Safety Acts of 2020 and 2021;
- Unprecedented construction industry inflationary pressure;
- The additional borrowing requirement for the new homes programme and the impact of a three-fold increase in interest rates since December 2021,.

To address the situation the Council is collectively assessing options to manage the short-term pressure by reducing in-year spending and actions are underway to moderate the impact of this through, for example, the repairs improvement programme, an end to end review of void properties and the refresh of the asset management strategy. Additionally, the scheme of management is currently under review and robust spending controls are being implemented. It is also a Council strategic priority to consider how the HRA can be managed in the longer term to ensure financial sustainability.

Financial sustainability (continued)

Budget setting process

The Council appointed a new S151 officer who started in May 2023. The new incumbent adopted a revised approach to budget setting and medium term financial planning and in July 2023 the Council took a new approach to its budget setting process via publication of the “Policy and Resources Strategy: Financial Remit 2024-25 to 2026-27” document. The report set out an approach for the budget process, to identify savings options that fit within the overall policy and financial framework, aligning resources to the Council’s key priorities and with regard to the emerging pressures. It also looked at options to generate income between summer 2023 and 2026-27. For the first time the budget included a 3-year view with a Medium Term Financial Strategy (MTFS). Alongside this three year MTFS, is a forward view of the Council’s procurement plans across the organisation. These were then incorporated into the budget challenge process that assesses the Council’s proposed commitments and savings over the next three years..

This takes on board the recommendation in our audit report of 2021-22. We welcome its introduction.

The budget setting process then follows the steps laid out in the table opposite with a number of “Budget challenge” meetings on its way through the review process before finalisation and sign off at Cabinet and Council Assembly in February 2024.

The budget challenge process this year focused on identifying savings over the three year period, together with identifying Council-wide transformation programmes to reconfigure services and the corporate centre to support the Council delivery plan priorities. Consultation with residents on how to achieve these priorities and more, took place via the Southwark 2030 project, with a report presented in Autumn 2023. The themes identified and actions required to achieve this were then incorporated into the budget process and MTFS.

Date	Meeting	Purpose
July	Cabinet - Budget Remit Report	High-level scene setting, for MTFS
Summer	Strategic consideration of challenges and opportunities - Strategic Directors/Cabinet Members Cross-cutting themes	
September	Cabinet - Updated Financial Strategy	Update the financial remit and confirm the size of the budget challenges facing the council in the period to 2024-25 to 2026-27
Sept/Oct	Budget Challenge Round 1	
October	Cabinet – Capital Governance Review. Proposals to be implemented from April 2024	
November	Cabinet - Updated P&R Strategy	To provide an update (if necessary) to include details of any government funding announcements/Spending Review
	Budget Challenge Round 2	
December	Cabinet - Updated P&R Strategy	To provide options for meeting the budget challenges over the next three financial years
	Cabinet - Council Tax Base	To confirm the council tax base that will apply for 2024-25
January	Cabinet - Updated P&R Strategy	To select proposed solutions for meeting the budget challenge
January	Overview & Scrutiny	Comment on and make recommendations in respect of the cabinet’s proposed 2024-25 budget and indicative budgets for future years
February	Cabinet - P&R Strategy	Recommend to Council Assembly balanced budget for 2024-25
	Council Assembly	Council Tax setting and approve a balanced budget for 2024-25 and agree indicative budgets for 2025-26 and 2026-27

Financial sustainability (continued)

Budget Monitoring

The Council has over the past few years typically had a devolved approach to budgetary control with departments expected to manage their own finances, supported by the corporate Finance team. Financial forecasts are updated and presented to Cabinet at months 4 and 8 and year end although regular monthly monitoring takes place at department level.

The table below was presented to Cabinet in January 2024 and this shows the latest forecast for the 2023/24 year end.

Table 1: 2023-24 General Fund Forecast Month 8

General Fund	Budget	Forecast	Reserve Movement	Total use of Resources	Variance after use of reserves
	£000	£000	£000	£000	£000
Children & Families	62,612	62,487	(99)	62,388	(224)
Adult Social Care	78,294	77,968	-	77,968	(326)
Commissioning & Central	6,059	6,035	(97)	5,938	(121)
Education	20,678	24,328	(1,633)	22,695	2,017
Public Health	-	-	-	-	-
Children & Adults total (excl. DSG)	167,643	170,818	(1,829)	168,989	1,346
Environment, Neighbourhoods and Growth	93,583	85,438	9,435	94,873	1,290
Housing	25,475	29,026	(333)	28,693	3,218
Finance	40,058	44,058	(3,000)	41,058	1,000
Governance and Assurance	22,395	23,578	(565)	23,013	618
Strategy and Communities	7,602	7,999	(505)	7,494	(108)
Support Cost Reallocations	(42,423)	(42,423)	-	(42,423)	-
Contribution from Reserves	(2,500)	(2,500)	-	(2,500)	-
General Fund Service Outturn Forecast	311,833	315,994	3,203	319,198	7,364
General Contingency	4,000	-	-	-	(4,000)
Outturn	315,833	315,994	3,203	319,198	3,364

Medium term financial strategy

The latest MTFs was presented to cabinet in February 2024:

Table 1: Revenue Budget 2024-25 to 2026-27

	2023-24	2024-25	2025-26	2026-27
	£m	£m	£m	£m
Un-Ringfenced Government Grants	(82.4)	(84.4)	(79.3)	(79.3)
Revenue Support Grant	(42.2)	(45.0)	(45.0)	(45.0)
Top-Up	(32.9)	(34.3)	(34.3)	(34.3)
Services Grant	(4.7)	(0.7)	-	-
New Homes Bonus	(1.7)	(4.4)	-	-
One-Off NNDR Levy release (Final settlement)	(1.0)	-	-	-
Ringfenced Government Grants	(78.7)	(88.7)	(88.7)	(88.7)
Public Health Grant	(29.5)	(30.9)	(30.9)	(30.9)
Social Care Grant	(27.6)	(33.1)	(33.1)	(33.1)
Improved Better Care Fund (IBCF)	(17.8)	(17.8)	(17.8)	(17.8)
ASC Market Sustainability & Improvement Fund	(3.7)	(6.9)	(6.9)	(6.9)
TOTAL GOVERNMENT FUNDING	(161.1)	(173.1)	(167.9)	(167.9)
Council Tax	(137.7)	(145.3)	(158.8)	(170.0)
Council tax baseline funding	(128.6)	(137.4)	(148.2)	(158.8)
Council tax base growth	(2.3)	(3.8)	(3.0)	(3.2)
Council tax - annual increase	(3.9)	(4.2)	(4.5)	(4.8)
Council tax - Social Care precept	(2.6)	(2.8)	(3.0)	(3.2)
Council tax - estimated (surplus)/deficit	(0.3)	2.9	-	-
Business Rate Growth	(136.1)	(134.8)	(136.8)	(136.8)
Retained Business Rates	(98.1)	(102.8)	(102.8)	(102.8)
S.31 Grants	(27.4)	(28.2)	(28.2)	(28.2)
S.31 Grant for Business Rates Top-Up	(5.6)	(5.8)	(5.8)	(5.8)
Business Rates - estimated (surplus)/deficit	5.3	1.9	-	-
Support for deficits	(5.2)	-	-	-
BRR - S.31 grants c/f	(5.0)	-	-	-
COUNCIL TAX AND RETAINED BUSINESS RATES	(273.8)	(280.1)	(295.5)	(306.8)
Total Funding before contributions from balances	(434.8)	(453.3)	(463.5)	(474.7)
Contribution from earmarked reserves	(2.5)	(2.5)	(2.5)	-
TOTAL RESOURCES	(437.3)	(455.8)	(466.0)	(474.7)
Prior Year Budget	391.1	437.3	455.8	466.0
Inflation				
Pay Awards	5.9	9.5	10.0	6.3
Pay Awards 22/23 unbudgeted pressure	5.5	-	-	-
Contractual Inflation	14.6	9.8	9.0	6.3
Contractual Inflation (Social Care & PH)	14.9	9.4	8.5	5.6
Contractual Inflation (2022/23 unbudgeted pressure)	3.4	-	-	-
Energy price inflation on Council Buildings	4.5	-	-	-
Commitments & Contingency:				
Other Growth and Commitments	13.8	8.7	3.7	2.7
Reverse one-off commitments	-	(0.8)	-	-
Debt Financing (approved programme)	-	2.5	2.0	2.0
Budget Before Savings & Efficiencies	453.7	476.5	488.9	488.8
Budget Gap before Savings & Efficiencies	16.4	20.8	22.9	14.1
Savings				
Effective use of resources and efficiencies	(12.8)	(13.1)	(9.4)	(6.1)
Income, Fees and Charges	(2.5)	(7.5)	(6.7)	(2.6)
Other Savings	(1.1)	(0.2)	(1.4)	(0.1)
TOTAL SAVINGS	(16.4)	(20.8)	(17.5)	(8.7)
TOTAL BUDGET	437.3	455.8	471.4	480.1
<i>In-Year Gap</i>			5.41	5.38
TOTAL SHORTFALL (cumulative)	-	-	5.41	10.79

Financial sustainability (continued)

Based on the Council's forward financial planning the savings required in years 2 and 3 of the MTFS do not look unsurmountable. The Council will have had time to further develop its transformation programme by then plus the assumptions built into the plans are very prudent. Some examples of this are:

- The Council has not assumed they will get the additional ASC money they got for 24/25 (£3m+) even though there is every chance they will get some additional funding
- Inflation assumptions for non pay costs of 5.5%, 4.5% and 3.5% over next 3 years. These are potentially on the high side so any undershoot of these will result in financial savings
- inflation assumptions for pay are 5%/5%/less than 5% in next 3 years. Again these are likely to be on the high side so could result in lower than expected pay expenditure
- Grants income has prudent assumptions associated with it.

In summary, the MTFS presents a picture of a Council which is financially sustainable in the medium term and which is making prudent assumptions and building credible plans for longer term

Savings plans

A key feature of the MTFS is the inclusion of a detailed list of savings and efficiencies across the full range of services. A total of £13.1m of savings have been identified as illustrated in the table below.

	2024-25	2025-26	2026-27	Total
	£000	£000	£000	£000
ACE - Governance & Assurance	(370)	(1,095)	(793)	(2,258)
ACE - Strategy and Communities	(70)	(70)	(94)	(234)
Children and Adults	(7,095)	(5,889)	(3,676)	(16,660)
<i>of which</i> Adults' Social Care	(3,250)	(2,250)	(1,000)	(6,500)
<i>Children and Families</i>	(3,208)	(3,340)	(2,386)	(8,934)
<i>Education</i>	(457)	(149)	(140)	(746)
<i>Commissioning</i>	(180)	(150)	(150)	(480)
Environment, Neighbourhoods and Growth	(1,160)	(1,150)	(500)	(2,810)
Finance	(3,145)	(1,049)	(1,000)	(5,194)
Housing	-	-	-	-
Public Health	(1,239)	(180)	-	(1,419)
	(13,079)	(9,433)	(6,063)	(28,575)

More than 50% of those savings have been identified in Adults and Childrens Social Care (ASC/CSC). Our discussions and analysis of this service have indicated a strong history of savings identification and prudent financial management that lead us to conclude that these savings estimates have sound foundations and should be achievable under the current management arrangements. Allied to the prudent assumptions included in the rest of the financial planning process our assessment is that the Council is in a good position in terms of its medium and longer-term financial planning.

Managing risks to financial resilience

The Council has identified risks to the capital and revenue forecasts as part of the budget and MTFS. The 2024/25 MTFS has identified a shortfall in the General Fund of £10.5m over 3 years, which is not already covered by savings and efficiency plans. Generally, we find the Council to be well managed and there is a high level of understanding of its budgetary position, budgetary pressures and any savings required. There is an established process by which the budget is reviewed regularly, and issues are reported on a timely basis to those charged with governance.

Reserves

We note that the Council sets aside unallocated reserves and reviews these annually in the context of emerging financial called upon in line with plan. The use of £2.5m reserves to support the balancing of the budget in both 2023-24 and 2024-25 is not an excessive or irresponsible use of reserves and we note that moving forward beyond 2024-25, use of reserves appears well managed in the context of the required levels of savings. The Council is not reliant on use of reserves due to prudent funding and inflation assumptions in the MTFS though there is an assumption that transformation programme will deliver savings in the latter years.

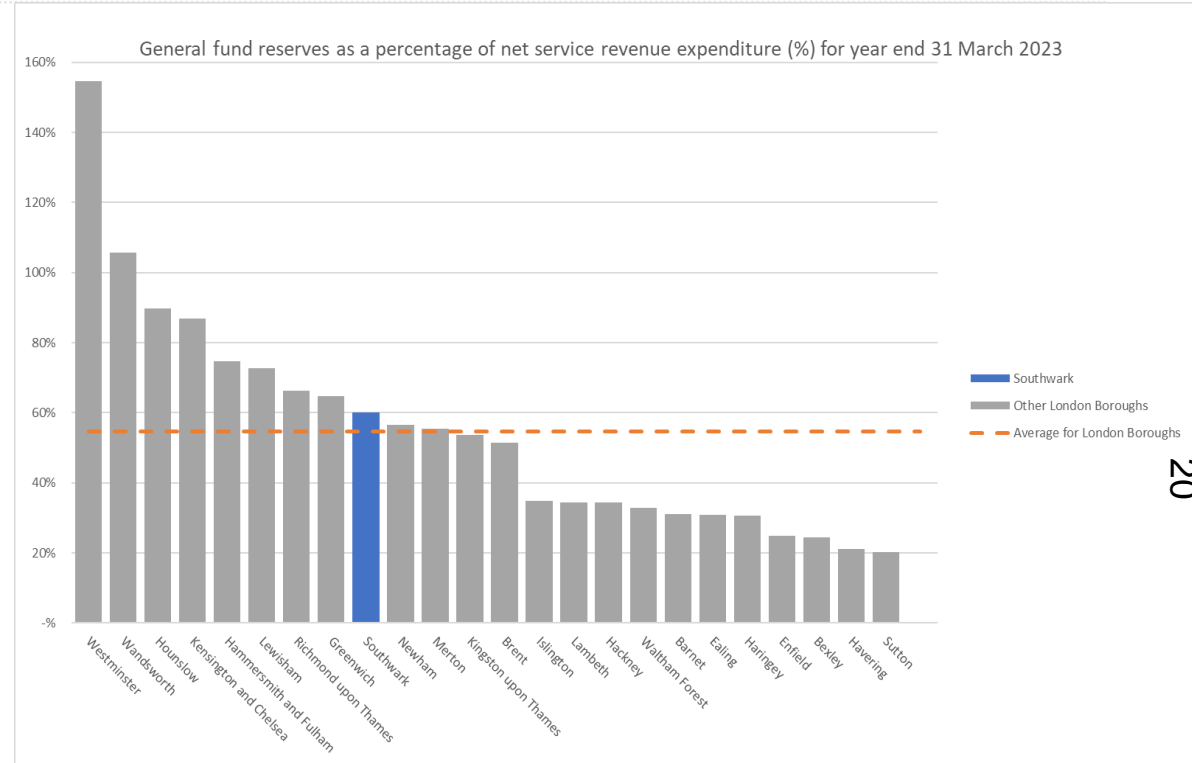
The Council's track record of good financial management and delivery to budget year on year, has enabled the Council to operate comfortably with a relatively low level of unallocated general fund and earmarked reserves, compared to other similar London borough councils. This is indicative of a council that is focused on putting its financial resources to work rather than holding unnecessary reserves. Reserves remain within the generally accepted levels required [ie. No less than 5% of net expenditure].

Financial Sustainability (continued)

With this in mind, we undertook some analysis of the Council’s reserve levels in comparison to those of other similar councils (see table opposite). The benchmark group we selected was based on data from published 2022/23 draft accounts and includes other comparative London boroughs). The results indicated that the level of available general fund and earmarked reserves as a proportion of the net cost of services for LBS Council as at 31 March 2023 was the mid range in the group.

We are therefore satisfied that given the Council does not have a track record of placing significant reliance on reserves and is forecasting a breakeven position in 2023/24, we observe that the Council has sufficient resources available to manage any unforeseen financial risks.

We recommend that, as a piece of good practice, the Council undertake its own analysis of its relative level of reserves on an annual basis, and in particular its policy towards earmarked reserves, in comparison to peer councils in order to continually test its reserves strategy.



Source – Grant Thornton Borrowing and Reserves Analysis tool

This data has been obtained from unaudited financial statements for 2022-23.

Financial sustainability (continued)

Capital

The Council has a Capital Strategy in place which is clearly linked to the priorities in the Corporate Plan. The General Fund capital programme 2024-2029 totals circa £69m, the larger capital programmes are:

- £28m for Leisure Investment, plans to be discussed with members in early 2024
- £16m for the ongoing fleet replacement programme
- £2.5m for the provision of a new DEN's One stop shop and foodbank.
- £4.5m for Light Industrial development and delivery
- £6m for Place shaping acquisitions

Major capital projects are managed by the relevant budget holder/contract manager. There are quarterly reports on capital spending and the progress of the capital programme and these go to Cabinet with explanations of the major variances. We note that the quarter 2 monitoring report in November 2023 is reporting slippage of £4.1m, a large proportion of which (£2.5m) relates to the creation of a new Community Facility and Foodbank at the Hub (Dens) which is linked to the housing development.

In the Housing Revenue Account capital spend is planned to be £268m across the five years. For 2023/24 the Housing capital budget was £81m. The new Housing Revenue Account (HRA) business plan was presented to Cabinet in January 2024. This sets out the financial implications of plans for new and existing Council homes contained in the Council's Housing Strategy 2024-29. The Business Plan covers a 30 year period, with a focus on the medium-term (the first five years) where there is greater certainty on costs, demands, resources and pressures.

In summary we are content that the arrangements for capital budgeting and monitoring are reasonable.

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 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.

In the 2022-23 financial year the Council 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. During the past year since our last audit report the Council has made good progress and has repaid £11.6m of the £21m initial funding. This has been achieved in spite of the rise in costs for SEND transport and also a rise from 1,500 to 3,000 of children with an Education, Health and Care (EHC) plan. As a result, we are comfortable that the Council is delivering its deficit recovery programme in line with plan and has avoided the level of slippage experience by a number of other councils.

Financial sustainability (continued)

Borrowing

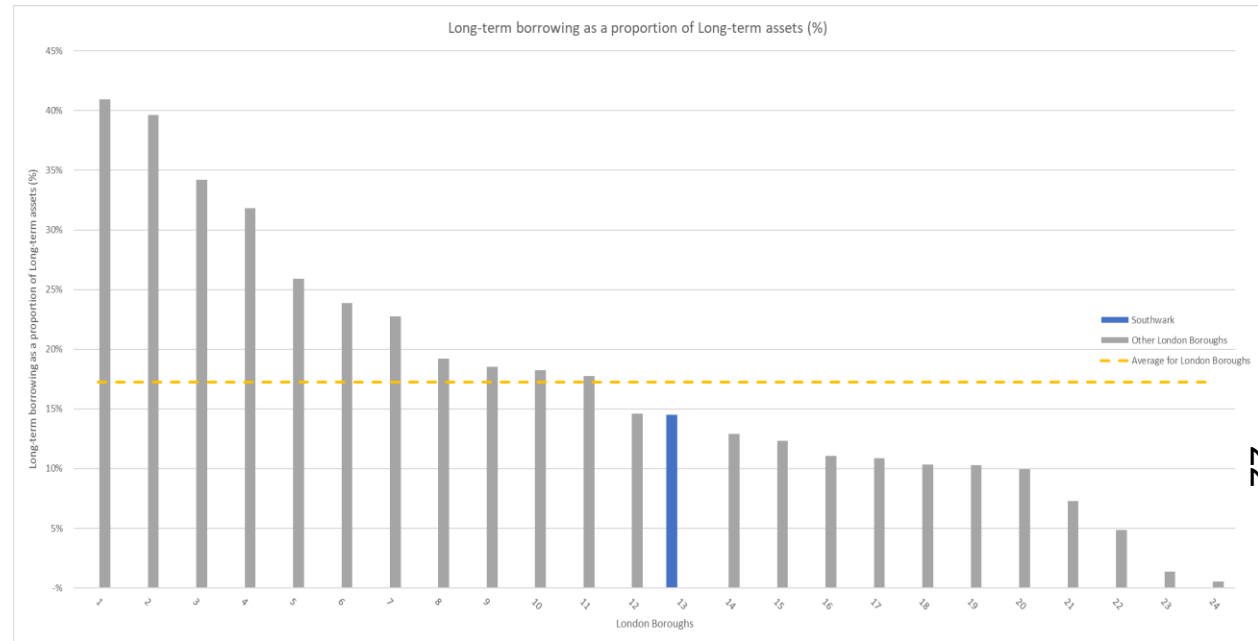
The Council’s debt and borrowing position is illustrated in the table below.

Liability Benchmark (£m)	2022-23 Actual £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m
Loans CFR	1,416	1,761	1,981	2,080	2,152
Less: External Borrowing*	991	964	916	888	856
Internal Borrowing / (Over Borrowing)	425	797	1,065	1,192	1,296
Less: Useable reserves	376	343	323	300	283
Less: Working capital	269	234	160	96	17
Investments/(New Borrowing)	-220	220	583	797	996
Net Borrowing Requirement	771	1,184	1,499	1,685	1,834
Minimum Investment Balance	140	65	52	43	40
Liability Benchmark: Year-End	911	1,249	1,551	1,728	1,874

*Shows only loans to which the Authority is committed

The table suggests the Council will require a minimum level of borrowing in 2024-25 of £302m (£1,551m in 2024-25 less £1,249 in 2023-24), to maintain the minimum investment level of £52m at year-end. The actual level of borrowing at year-end depends on whether the Council’s spending plans proceed as planned and on the actual timing of borrowing.

The table opposite shows the Council’s long term borrowing as a proportion of its long term assets and shows that the Council is on the prudent side when compared to its peers. This demonstrates the Council is taking a sensible approach to its longer term financial management



Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any significant weaknesses and have not raised any key recommendations.

Financial sustainability - Improvement recommendations



Improvement Recommendation 1

We recommend the Council undertakes its own analysis of its relative level of reserves, and its policy towards earmarked reserves in comparison to peer councils, in order to test its reserves strategy.

Summary findings

While we are satisfied that the Council does not have a track record of placing significant reliance on reserves and that the Council has a relatively strong financial position with a smaller medium term funding gap and a lower level of financial risk than others when compared to its benchmarking comparator group it is good practice to regularly test this position each year.

Criteria impacted

Financial sustainability

Auditor judgement

We recommend this approach to reserves analysis as a piece of best practice rather than an identification of any sort of financial management weakness .

Management comments

We will undertake a comparison exercise of reserve levels with peer councils on an annual basis when updating our Medium Term Financial Strategy.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

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 effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Monitoring and assessing risk

The Council's risk management arrangements remain the same as we reported in last year's report. The Council maintains risk registers that capture the key departmental and corporate risks to the Council, including areas of risk opportunity. Key risks are held on the Council-wide risk management system (JCAD) which each department feeds into. Examples are the impact of the cost of living crisis on Council services, overspends on the Housing Revenue Account, Schools and Education budget overspends, especially SEND. The JCAD is monitored centrally by the risk and insurance manager. Risks are identified at least annually and are reviewed at least quarterly by each department, and consistently assessed using the Council-wide risk assessment methodology.

Risks are identified under the following risk categories: economic, financial, operational, staffing and culture, reputation and legal and regulatory compliance. Risk assessment is measured by likelihood of occurrence and by potential impact. Impact to the Council is measured under the key areas of 'life and limb', customer service, staffing and culture, compliance with regulations/ law, reputation and financial.

Chief officers also monitor and review key Council risks on a regular basis, and corporate risks are reported to the audit, governance and standards committee on an annual basis. The latest report went to cabinet in February 2024.

The summary of risks was reported in the 2024 annual report:

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

Leadership, decision making and committee effectiveness

The Council operates a Leader and Cabinet form of executive arrangements. In addition, there are six scrutiny committees which hold the Cabinet to account. The work of the Council's committees is governed by the Constitution. The Council's Constitution sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is shared with all staff members on joining and is openly available on the Council's website. The Constitution is regularly reviewed and updated, and was last reviewed in October 2023. Relevant information is provided to decision makers before major decisions are made to ensure there is appropriate challenge. For example the MTFS document is very detailed and clearly sets out the decisions required and provides detailed explanations for the financial forecasts.

The Council's Annual Governance Statement (AGS) highlights the key governance issues the Council has faced in 2022-23 - Cyber security, the impact of Covid-19, the council's ambitious housing programme, funding and the carbon neutral 2030 commitment

The past year has seen significant change in the senior leadership with the CFO and director of housing both departing in that period. The council had also appointed a new CEO in May 2022. This represents a significant turnover at senior leadership level but based on our discussions it appears to have been a relatively smooth transition. We discussed the transition with both the CEO and the new CFO and both confirmed that, while it has been challenging, especially given both the financial and housing challenges currently being faced by the council, they feel the transition has gone as smoothly as they could have wished.

Governance (continued)

Monitoring and ensuring appropriate standards

The Council has arrangements in place to monitor compliance with legislation and regulatory standards. The arrangements include the oversight of the Monitoring Officer, and the work of internal audit. The Annual Governance Statement is compliant with the CIPFA code and was reviewed and approved by Audit, Governance & Standards Committee (AGSC) in July 2023. An appropriate level of care is taken to ensure the Council's policies and procedures comply with relevant codes and legislative frameworks.

The Council has a Counter-Fraud and Counter Corruption Policy, as well as a Whistleblowing Policy, Code of Conduct and Anti-Money Laundering Guidance. These document the policies and procedures of the Council, as well as the ethical behaviours expected of staff.

A Register of Interests is maintained and there is a standing item on all meetings of the boards and panels to disclose any interests relating to matters on the agenda. There is a good suite of policies in place, covering anti-fraud and corruption, and the Council has an established anti-fraud culture. We identified in the previous year, that the Council could disclose gifts or hospitality which had been declined. This has been reviewed and included in the recent review of the Constitution by the Monitoring Officer. We have not been made aware of any significant non-compliance with the Council's governance framework, other breaches of legislation or regulatory standards, or serious data breaches.

Internal Audit

The Council have an outsourced Internal Audit (IA) function 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 (same opinion as in 19-20, 20-21 and 21-22). The IA annual report for 2022-23 (presented to the Audit and Governance Committee in July 2023) stated that:

"The relative proportion of high, medium, and low recommendations is consistent with previous years, and management has continued to respond positively to reports issued with adequate action plans to address the risks and issues identified. We have confirmed with reference to evidence that 92% of recommendations due for implementation by the date of reporting had been completed. This represents an increase from an implementation rate of 87% in 2021-21 and is the highest that we have reported since our appointment as the Council's internal auditors"

Areas of limited assurance relate to building safety, IT software licence management, mental health services, No recourse to Public funds, Parking Management and Estates Parking Permits, SEND Finance, Supplier resilience, Tenant management organisations (TMOs) In all cases remedial actions are in place.

Audit, Governance and Standards committee effectiveness

The purpose of the Audit, Governance and Standards Committee is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements at the Council. The committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to those charged with governance that those arrangements are effective. There are no statutory requirements that determine the composition of the Audit Committee.

The Council's Audit, Governance & Standards Committee (AGSC) comprises seven members. CIPFA's recommendation in Audit, Standards & Governance Committees: Practical Guidance for Local Authorities and Police (2022) is authorities should strive to have no more than eight members, the Council is therefore following the recommendation. CIPFA guidance emphasises the importance of the separation of executive roles and the membership of the Audit, Governance and Standards Committee. Where an authority has a cabinet system of governance, as the Council does, including a member of the cabinet on the committee is discouraged. We have compared the membership of the AGSC with the members of the Cabinet to ensure a clear separation. We can confirm that no members of the Cabinet are also members of the AGSC, in line with the guidance.

There are currently no independent members on the Council's AGSC. CIPFA guidance and the Redmond Review (2020) recommend the committee includes two co-opted independent members. We note that there are currently no independent members on the Committee but note too that the Council has put in place a recruitment exercise for an independent member.

Improvement recommendation 2: The Council should consider including an independent member with accounting experience to the Governance (Audit, Governance and Standards) committee.

To discharge its responsibilities effectively, CIPFA guidance recommends the Committee meet at least four times a year. The Council's Audit, Governance and Standards Committee met five times in 2022/23 and has already met six times in 2023-24. Attendance at the AGSC has been good in both years.

Governance – Objection



Objection to the accounts

During the year we have been responding to an objection, from a member of the public, made under section 27 of the 2014 Local Audit and Accountability Act 2014, relating to the Council's arrangements for funding and monitoring the activities of the Fair Community Housing Services (FCHS) local Tenant Management Organisation (TMO). The objector was concerned that Council funding, earmarked to be spent on external decorations, of over £1.8 million during the period 2008 to 2022, had not been spent as intended; that the TMO had not kept appropriate financial records; and that the Council's monitoring arrangements over the period had been inadequate.

We agreed that the Council's Internal Audit service would undertake enquiries regarding the matters raised and, following completion of their work in January 2024, we concluded that we concluded that Internal Audit had fully addressed to our satisfaction all of the matters raised by the objector within the objection and that the concerns raised were valid and, as such, the objection was upheld. We were satisfied that Internal Audit had demonstrated sufficient impartiality and challenge to the Council in conducting its work.

In coming to this conclusion, in determining the objection, we considered the following key findings from Internal Audit's work:

- There was limited evidence from the TMO regarding how it had spent the external decorations money and therefore the Council could not confirm it was spent appropriately. The TMO agreed to repay the Council the funds it had received but could not account for. The TMO's Board has already paid back £1 million immediately and has asked the Council to agree a repayment plan for the outstanding £0.86 million. This proposal is being considered by the Council.
- Allocation of funding to the TMO was not always clearly detailed for what purpose it is intended for, making it difficult for the TMO to know what amounts were for external decorations.
- Council officers could not provide full supporting evidence to show the TMO complied with the Modular Management Agreement (MMA) between the Council and the TMO and, consequently, the Council had not executed its contract monitoring responsibilities adequately.
- The latest MMA does not have a schedule for review, or a responsible officer assigned to keep on top of any changes and to regularly confirm the MMA remains fit for the Council's purpose.

The objector had requested that we issue a Report in the Public Interest, which was a relevant consideration, given Internal Audit's findings. In undertaking this work, we had regard to the requirements of the 2014 Local Audit and Accountability Act, the Code of Audit Practice and the National Audit Office's Auditor Guidance Notes (AGNs) 04 and 07. In compliance with this framework, we sought to follow a proportionate response and, as such, considered:

The significance of the issues raised, which action would be in the public interest, the Council's response to the issues raised, including its plans to remedy any defects in its arrangements.

Given the Council's planned response, whether the issues are likely to recur, and more generally, what audit action at this point would make a difference in future.

In this instance, based on the above considerations, we decided to apply our discretion not to produce such a report, as the Council had formally accepted all of Internal Audit's findings and had debated the matter fully and transparently, in public, in a meeting of the Council's Audit, Governance and Standards Committee on 25 April 2024.

At that meeting, members had agreed a series of actions to address the matters raised, which include:

- Improving communication arrangements between the Council and all of its 17 TMOs and putting in place new regular training arrangements for TMO staff.
- Ensuring that all TMO's maintain adequate evidence of their spend and transactions are clearly documented.
- Conducting a forensic audit of FCHS's spend, to verify where it spent the external decorations fund, whether there had been any misappropriation of the funds provided and if FCHS remains a going concern.

Given that large sums of funding have appeared not to have been spend as intended on external decorations by FCHS, the Council needs to assess its future spending needs on the condition of the buildings managed by this TMO. The Council has informed us that a stock condition survey will now be undertaken to determine any level of dilapidation and the works required to put things right.

In addition, the Council has assured us that, a comprehensive review of funding and expenditure incurred by all of Southwark's 17 TMO's, including Fair Community Housing, is currently being undertaken by officers with specialist skills and who are independent of the Tenant Management Initiatives Team.

Following completion of this year's audit, Grant Thornton will no longer be the Council's external auditor, following normal auditor rotation arrangements. We consider that it will be important for the Council's new external auditor to monitor progress in this area and we will discuss with the new external auditor, appointed for 2023/24 onwards, the monitoring of those actions, taking into account our respective responsibilities under the Code of Audit Practice.

Given the findings, we concluded that there had been a significant weakness in the Council's governance arrangements for the funding and monitoring of TMOs and raised a key recommendation to address a significant weakness in arrangements, as required by paragraph 3.14 of the 2020 Code of Audit Practice and paragraph 60 of AGN 03 and under section 27(6) of the Local Audit and Accountability Act 2014, to that effect. This matter was judged not to impact our opinion on the financial statements, given the materiality thresholds set. But we do note its significance from a value for money perspective.

Governance (continued)

Scrutiny arrangements

The Centre for Governance and Scrutiny (CGS) were invited in August 2022 to evaluate the scrutiny function of the Council, explore options, and make suggestions on how processes could be improved. Findings of the review are being considered for 2023/24 and it is encouraging that this reported in April 2023 that 'scrutiny had a good foundation in Southwark.' The specific areas the CGS reviewed were support for scrutiny, organisational culture, level of collaboration, work planning, committee structure, output/impact and chairing of committees.

Key conclusions from the report worthy of note are:

- the organisational culture in Southwark has a good foundation and there is evidence of mutual respect and appreciation of the roles of Officers and Members
- the Council must continue to reinforce collaborative relationships between scrutiny, Cabinet and Directors whilst maintaining the independence of scrutiny.
- The current structure of one Overview and Scrutiny Committee and its four Commissions is felt to be working effectively. The Committee enables the Chairs of the Commissions to come together to scrutinise wider Council business including the Corporate Plan, finance, and human resources issues
- Chairing of scrutiny committees is generally felt to be effective and inclusive. Most Members felt they were given opportunities to contribute to meetings.

There were 11 specific recommendations across the seven areas the CGS reviewed. We note the Council's plan to address these recommendations presented to the Overview and Scrutiny committee in November 2023.

We note from discussions with the Monitoring Officer that the Council plans to make changes to the constitution about how they call matters in to scrutiny committees. Currently, only 3 members of the scrutiny committee can call matters in. This to be extended to 5 members so that means the pool of Members who could call in an executive or non executive decision is now much wider than it used to be.

Conclusion

Overall, with the exception of our work relating to the objection raised by a member of the public, we are satisfied the Council has appropriate governance arrangements in place. We have, however, identified a significant weaknesses requiring issuance of a key recommendation., regarding this objection, to address a significant weakness in arrangements, as required by paragraph 3.14 of the 2020 Code of Audit Practice and paragraph 60 of AGN 03 and under section 27(6) of the Local Audit and Accountability Act 2014. We have also raised one improvement recommendation from our other considerations of the Council's overall arrangements for governance.

Governance - Key recommendation



Key Recommendation

The Council should ensure that it fully implements the agreed actions following Internal Audit's consideration of the Council's governance arrangements for funding and monitoring the activities of the Fair Community Housing Services (FCHS) Tenant Management Organisation (TMO). [This key recommendation impacts both the 2021-22 and 2022-23 year, we had not certified either years audit whilst we worked through this objection raised to the 2021-22 financial statements]

Why/impact

The Council's arrangements were inadequate, over a period of several years, for ensuring that the TMO had properly spent and accounted for the Council's allocated funding for external decorations.

Auditor judgement

We note Internal Audit's conclusions that *"the TMO has limited financial management controls as we were unable to fully verify evidence of where the TMO had spent the external decorations monies or that it was spent appropriately. The Council should consider its next steps in trying to identify where the monies have gone, whether any expenditure was ultra vires and whether the TMO remains a going concern as a result of this. We also found the controls designed to mitigate the risks around the management of TMOs were not well designed or fully operating."*

Based on this position, Grant Thornton considers that the Council does not have adequate governance arrangements for funding and monitoring the activities of TMOs.

Given Internal Audit's findings, we concluded that Internal Audit had fully addressed to our satisfaction all of the matters raised by the objector within the objection and that the concerns raised were valid and, as such, the objection was upheld. We were satisfied that Internal Audit had demonstrated sufficient impartiality and challenge to the Council in conducting its work. As the objection was upheld, a Report in the Public Interest may have been justified. However, in this instance we decided to apply our discretion not to produce such a report, as the Council had formally accepted all of Internal Audit's findings and had debated the matter fully and transparently, in public, in a meeting of the Council's Audit, Governance and Standards Committee on 25 April 2024. Because of this, any further costs of producing a Report in the Public Interest would not have been proportionate or necessary, in our opinion.

Management Comments

See next slide for managements response

Governance - Key recommendation



Key Recommendation

The Council should ensure that it fully implements the agreed actions following Internal Audit's consideration of the Council's governance arrangements for funding and monitoring the activities of the Fair Community Housing Services (FCHS) Tenant Management Organisation (TMO). [This key recommendation impacts both the 2021-22 and 2022-23 year, we had not certified either years audit whilst we worked through this objection raised to the 2021-22 financial statements]

Management Comments

We note Internal Audit's conclusions that "the TMO has limited financial management controls as we were unable to fully verify evidence of where the TMO had spent the external decorations monies or that it was spent appropriately. The Council should consider its next steps in trying to identify where the monies have gone, whether any expenditure was ultra vires and whether the TMO remains a going concern as a result of this. We also found the controls designed to mitigate the risks around the management of TMOs were not well designed or fully operating." Based on this position, Grant Thornton considers that the Council does not have adequate governance arrangements for funding and monitoring the activities of TMOs.

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Governance - Improvement recommendations



Governance

Recommendation 2

The Council should consider including an independent member with accounting experience to the Audit, Governance & Standards Committee.

Why/impact

CIPFA guidance and the Redmond Review (2020) recommend the committee includes two co-opted independent members.

Auditor judgement

Improvement recommendation

Summary findings

The Audit, Governance & Standards Committee does not include an independent member on it

Management Comments

This will be considered as part of the annual self-assessment exercise undertaken by audit, governance and standards committee members



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

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
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance review, monitoring and assessment

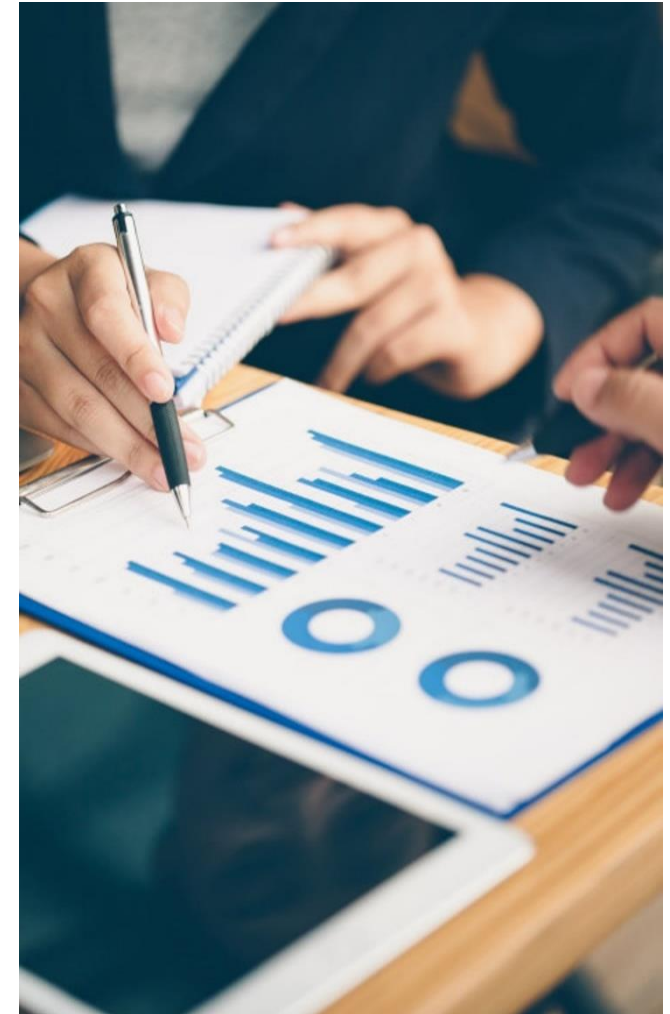
The Council has made changes to its performance management regime during the 2023-24 year. These changes were in plan when we carried out the 2021-22 audit in early 2023 but have now been implemented in full. The model has changed from the performance challenge boards used in 2022-23. The performance reporting process involves performance reports now taken to CMT on a quarterly basis. These cover the following areas:

- Residents data – e.g. complaints, interactions with residents
- Resources - e.g. Finances, Council tax, use of facilities, IT
- Internal processes - ensuring statutory services are delivering in line with the Council's legal obligations e.g. Waste and cleaning
- Improvement - internal capacity and learning. E.g. training and development, health and safety., transformation and change programmes.

As part of the above process there is also an annual review of performance against the Council's Delivery Plan

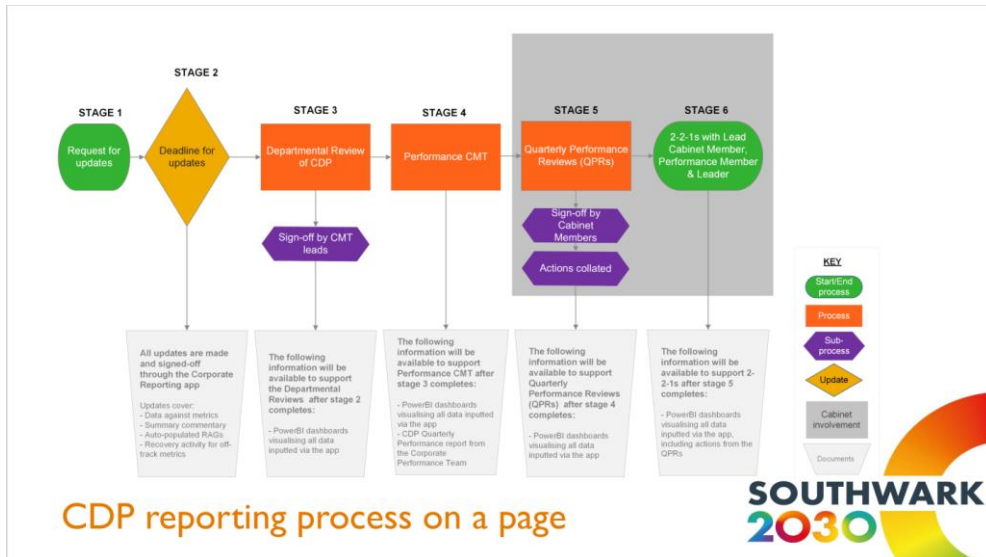
The Council has also established a Leader's Board where the Leader discusses strategic issues and challenges across each of the Cabinet members portfolio. This was developed during early 2023 and is now in operation in 2023-24. Delivery Plan data feeds into this conversation as does the quarterly performance data and this creates a rounded picture of service performance. The new process is more systematic using data against the Delivery plan commitments and ensures this is monitored and challenged along the way. There is an annual programme of meetings between the Leader, the CEO and the relevant Strategic Director (SD). The cycle of meetings ensures each portfolio is covered twice in an annual period. The Assistant Chief Executive, Strategy and Communities (who has responsibility for performance) attends the meetings with the Leader, the CEO and the SD Finance and they discuss the challenges for each of the portfolio.

We reviewed the latest organisational performance report for quarter 3 2023/24 submitted to CMT in February 2024. Some of the areas of challenge and their direction of travel in performance terms for the council can clearly be seen via this report. Housing is a good example which we have referenced elsewhere in this report.



Improving economy, efficiency and effectiveness (continued)

The new process for performance reports is summarised in the extract from the quarter 3 2023/24 performance report below:



The process allows the Council’s CMT to easily track progress against the Delivery plan. We reviewed some examples of the performance information shared with CMT and found that they were sufficiently detailed to enable detailed review by the CMT and Cabinet. The table below summarises performance at quarter 3 2023/24.

Table 1: Summary of reporting and performance for 23/24 Q3

Dept	Total # reportable metrics	# unreported	# awaiting CMT sign-off	# red RAG rated	# amber RAG rated	# green RAG rated	# for info only
CAS	49	9	0	2	4	17	17
ENG	122	0	0	21	14	78	8
Planning & Growth	23	0	0	5	2	16	0
Finance	20	1	1	2	1	5	10
G&A	5	0	0	0	0	4	0
Housing	44	0	0	9	7	22	6
S&C	1	0	0	1	0	0	0
TOTAL	225 (100%)	10 (4.4%)	1 (0.4%)	35 (6.5%)	26 (15.5%)	126 (56.0%)	41 (18.2%)

*Noting Planning & Growth has since moved to Finance, however at the beginning of the reporting period responsibility sat with ENG so their figures are included with ENG, updates to responsibility will be made once the reporting period has closed.

Procurement and contract management

In our 2021-22 audit report we made a number of recommendations relating to procurement and contract management arrangements. Specifically we found 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 was a lack of consistency in completion of the register. The procurement team were unable to give us an assurance that the register is complete and accurate. This situation remains the same in our current audit.

The procurement team reported to CMT in March 2023 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 concluded that:

“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 recommended 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. We are disappointed to note that there has been very slow progress in terms of addressing this recommendation. This is understandable to the extent that the new S151 officer who arrived in May 2023 has taken time to review the finance function and made some changes involving moving the procurement function into his directorate. Other priorities have taken attention away from the procurement and contract management functions but we urge the Council to quickly address the recommendation from the 2021-22 report now that the organisation is starting to bed in following the changes at senior leadership level. To that end we have included the prior year recommendations in an appendix to this year’s report with a note that these still need to be addressed.

Improving economy, efficiency and effectiveness (continued)

Partnership working

As a general approach the Council has looked to in-source services. For example in June 2023 they successfully brought back in house the Council's Leisure service.

There are however still some good examples of where the Council works well in partnership arrangements, for example:

- Adopt consortium is a partnership with 10 other London Councils (Greenwich has been added in the past year) for the provision of adoption services
- Partnership Southwark is a Local Care Partnership within the overall South East London Integrated Care System, working with other health, care and non-statutory organisations and local communities to bring together services and support at a neighbourhood level so that they do a better job of keeping people healthy and meeting their needs. This is often called "integrated community-based care". The focus is on groups most affected by long-standing health, social and racial inequalities and the work is informed by engaging the community in Southwark to understand their needs, develop services and support that work for them, and empowering people to look after their own wellbeing and live longer, healthier lives, by focusing on prevention and self-management. We want Southwark to be a borough where everyone can contribute to the overarching outcomes that we are seeking to achieve for the benefit of all communities, and no one group or community is left behind.

Two of the key partnerships for the Council are: strategic partnerships:

- Children and Families' Trust
- Health and Wellbeing Board

Southwark Council and NHS South-East London Clinical Commissioning Group (CCG) are partners in the provision of services to support reduced hospital admissions and length of stay. Joint arrangements of this type are permitted under Section 75 of the National Health Service Act 2006. The BCF provides various services to residents of Southwark who benefit from specific targeted interventions, as well as supporting hospitals to treat people closer to their homes and communities. The Council is the lead authority for the arrangement. The arrangement is made in accordance with Section 75 (S75) of the National Health Service Act 2006 and any surplus or deficit generated will be the responsibility of the respective partner to whom it is attributed as per the BCF planning group. The pooled budget includes all income and expenditure relating to the Better Care Fund (BCF), whether funded by the local authority or the NHS. It is hosted by Southwark Council; however not all transactions pass through the Council's accounting system.

Adult Social Care

Councils are facing key challenges including:

- The lack of transparency in future funding.
- Increasing demand (and complexity of that demand) across all care cohorts (older persons, learning disability and mental health).
- Increasing prices charged by care providers (due to wider inflationary pressures, difficulties in recruiting care staff and the impacts of the Government's recent Fair Cost of Care Exercise); and .
- Lack of capacity to transform its services to meet the increasing challenges ahead.

As a result, Adult Social Care at any upper tier council is one of the highest risk areas of performance. However, it is a risk that is being managed well by the Council. At the end of 2022/23, the ASC budget was underspent by £2.5m. This included the use of earmarked reserves and also planned savings of £6.6m which were achieved in year. The service is also on track to achieve its savings target of £4.2m for FY23/24. A significant reason for this strong financial performance (which has been the trend in the past several years) is the service's constant reviews of care packages to ensure that care packages reflect the needs of service users on a value-for-money (VFM) basis. Other reasons for the underspend are:

- The Council's reablement service, which it runs jointly with the NHS. This reduces the time that service users spend in hospital (which would otherwise result in escalated needs) and prepares them better for getting back to independent living with reduced or no follow-on social care needs.
- Flexicare housing – the Council has a significant amount of housing stock and some of this is used to support residents on a more effective, VFM basis.
- The Council owns 4 care homes and has plans to buy another from a provider who is looking to exit. This allows the Council to achieve better outcomes for service users, again on a VFM basis.
- An ethical care charter for home care. All providers have to pay the London Living Wage to care staff. The Council made an initial investment of £5m in this but it has allowed them to stabilise future rate increases by providers (the Council is now mid-range within London boroughs in terms of home care hourly rates) which supports budget adherence. Further, it has reduced home care staff turnover, improved outcomes for service users with the resulting financial benefits this provides.

Improving economy, efficiency and effectiveness (continued)

However, the future of ASC in 2023-24 and beyond is challenging. The Council is having to grapple with continuing pressures on NHS budgets resulting in reduced funding contributions on some care packages at times as well as increased costs from discharging pressures from acute wards into residential and nursing care homes. The continuing trend of more placements/packages combined with higher unit costs per placement/package that the Council has faced in recent years is unlikely to reduce in the either the short or medium term.

Medium to long term financial planning in ASC has also been constrained by wider sectoral uncertainty. This includes the delays to some Social Care Reforms (in particular, Charging Reform), the new CQC assurance framework for ASC and the rollout of Integrated Care Systems. The financial sustainability of demand led services, in particular ASC, continues to be identified by the Council as a key priority area of focus. So, while the service is currently managing the demand and financial pressures in this area well, it needs to remain vigilant to these continuing pressures.

Childrens Social Care

Councils in general are facing key challenges in Childrens Social care (CSC) including:

- An increase in the number of Children-in-Care (CiC) or otherwise known as Looked After Children (LAC)). This is the result of wider societal challenges including increasing deprivation, domestic violence, substance misuse and mental health needs.
- Changing CiC placement mix to more expensive ones such as Independent Fostering Arrangements (IFA's) and external residential placements due to a net reduction in in-house foster carers and increase in young people's challenging behaviours.
- Significant increases in the weekly costs of external residential placements for CiC: and
- Increasing costs in SEND service delivery including SEN Transport.

As a result, CSC at the Council is one of the highest risk areas of performance. However, like ASC, the Council has been managing these challenges well. Indeed, the Council has managed to reduce its CiC to historically low levels – from c.670 down to 420. The cost of CiC typically makes up c.50% of the cost base of CSC so a reduction in CiC is both positive from an outcomes as well as a financial perspective. Major contributors to this performance are a high performing Early Years service (to reduce demand into CiC in the first place) and also a strong Youth Justice scheme which elicited positive feedback from a recent peer review.

The Council also provides intensive support for families in trouble – to reduce needs escalation proactively – via an in-house clinical service. This has had a positive impact in terms of the outcomes for children and for families – with resulting cost pressures alleviated as a result.

Care leavers, in particular, is an area where the Council has been able to manage its costs effectively as it has made use of its large housing stock base to allocate accommodation to care leavers (rather than using the more expensive external marketplace given the increasing cost of London rentals). The Council has also been able to reduce its agency spend. Further, the Council has opened its own children's home with another one planned to be open shortly. This will provide capacity to support up to 9 CiC and further reduce reliance on the external residential care market where the average weekly cost of a children's home placement is now in excess of £5,000 per week. The Council is currently exploring the option to open a third children's home in 2025.

Like ASC, medium to long term financial planning in CSC has also been constrained by wider sectoral uncertainty. The financial sustainability of demand led services, in particular CSC, continues to be identified by the Council as a key priority area of focus. So, while the service is currently managing the demand and financial pressures in this area well, it needs to remain vigilant to these continuing pressures.

Conclusion

The Council has updated its performance management regime in the past year. We note that this work is in progress and the direction of travel is positive. As with all councils, Housing presents financial challenges and the turbulence in the wider economy has impacted on costs for repairs and maintenance. That, allied to increased regulatory requirements, means the Housing service is under pressure as we have noted in our follow up to the 2021-22 key recommendations. The Council has recognised this and its updated HRA Business plan and emerging Asset Management strategy means that the Council is responding positively to managing those pressures..

We note the relatively slow progress on our recommendations from the 2021-22 report for procurement and contract management arrangements but acknowledge that the new Chief Finance Officer needed time to assess the structure and functions of the Finance department. We are pleased to note that plans are in place for the procurement review to take place in the first half of 2024. Significant challenges in the Housing service that we reported on in the prior year, continue to be an area of focus for the Council but again we note that significant progress has been made in addressing these.

We have not identified any significant weaknesses and have not raised any key recommendations or improvement recommendations.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
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 (MTFS) 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	January 2024	The Council has actioned this recommendation as part of its 2024-25 budget planning and MTFS	Yes	No
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.	Improvement	January 2024	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.	Yes	No
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.	Improvement	January 2024	The Council has not yet actioned this recommendation. This is largely due to the arrival of a new S151 officer in may 2023 and the need for him to re-assess the finance structure. Work is planned to address procurement and contract management in Spring 2024	No	To follow up in 2023/24 audit
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.	Improvement	January 2024	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.	No	To follow up in 2023/24 audit

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We expect to issue an unqualified opinion on the Council's financial statements following the completion of the matters set out in our ISA 260 report.



Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

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

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

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.

Whilst we upheld an objection made under section 27 of the Act, we did not issue a Public Interest Report, as the Council had already investigated matters and had fully reported upon the issues in public, including its remedial actions. This objection was raised to the 2021-22 accounts.

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.

We did not make an application to the Court.

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 authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority 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.

We did not issue any advisory notices.

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 authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review.

Other reporting requirements



Audit Findings Report

More detailed findings can be found in our AFR, which is included in this agenda pack.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

The Council is below the reporting threshold and therefore we have nothing to report on this matter.



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.

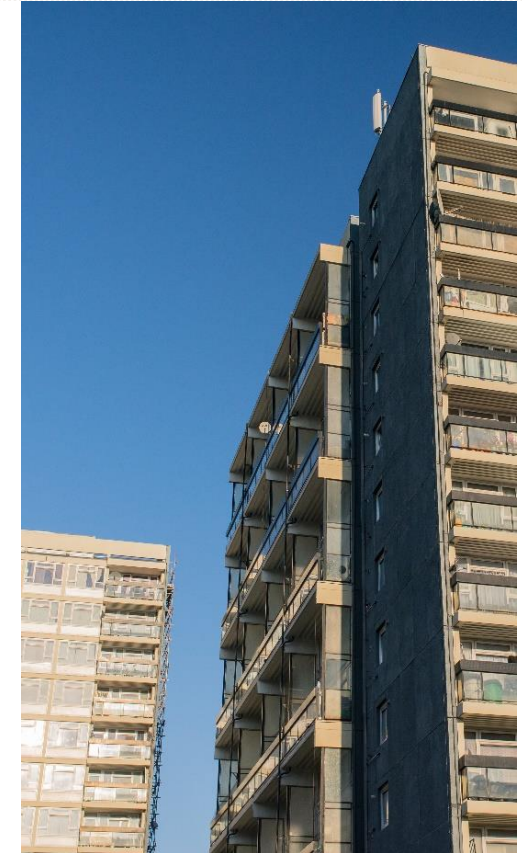
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority 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:

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(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	Page 29
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's 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 6-7, 21
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 16, 22

Meeting Name:	Audit, governance and standards committee
Date:	5 September 2024
Report title:	Progress report on implementation of recommendations from external audit action plan
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Strategic Director of Finance

RECOMMENDATION

1. That the Committee notes the progress on implementation of recommendations from external audit reports for 2021-22 and 2022-23

BACKGROUND INFORMATION

2. The council's auditors for the statement of accounts for 2021-22 and 2022-23 (Grant Thornton) presented their audit findings to the audit, governance and standards committee at their meetings on 5 February 2024 and 25 April 2024 respectively. At those meetings it was agreed that the Strategic Director of Finance would present a progress report on the implementation of the audit recommendations detailed in the action plan to a future meeting of the committee.
3. The list of recommendations is reproduced in Appendix A of this report together with the management responses and commentary on progress to date for each recommendation. Below is a summary of the key issues resulting from the work to date.

KEY ISSUES FOR CONSIDERATION

4. The audits of both the 2021-22 and 2022-23 statements of accounts provided clean, unqualified opinions and Southwark's audits are all up to date. It should be noted that significant audit delays exist elsewhere in the local authority sector and central government is proposing legislation for mandatory backstop deadlines for audits which will result in many local authorities without full audit opinions for prior year accounts.
5. The most significant area of audit concern highlighted in the audit findings reports related to processes around the valuations of property and our records of fixed assets. This is a common area of audit scrutiny in local government audits and a major cause of audit delays at many local authorities. The auditing standards to which local authorities are subjected

require rigorous scrutiny of property valuation as both auditing and accounting standards are based on the accounts of commercial companies where balance sheet valuations are key information required by key readers of the accounts such as shareholders and lenders.

6. It should be noted that variations in property valuation do not impact the financial standing of local authorities as the accounting adjustments have no budgetary impact. They also do not impact the ability of local authorities to lend money for capital investment from the Public Works Loans Board. Valuations for local authorities are very specialised in some areas such as schools and not linked to any potential commercial use of the assets.
7. That said a number of actions have been undertaken to improve the quality and timeliness of property valuations and address the concerns raised in the audit findings reports including:
 - All valuations will be done as at 31 March each year which significantly reduces any uncertainty in valuation changes within the year
 - Outsourcing of valuations to an external firm (Cluttons) with specialist expertise including support with audit queries
 - A dedicated officer within the Property service has been given specific responsibility for all valuation work related to the statement of accounts and as client point of contact with the external valuers
 - The storage of valuations working papers in shared electronic folders reducing reliance on individual officers for access
 - An additional officer has been added to the corporate accounting team whose responsibilities include increased checking of accounting records and liaison with officers involved in construction and management of property across the council to improve data quality such as asset categorisation
 - A major upgrade of the fixed asset accounting system (MRI software) is underway including a data cleanse, creation of a new database environment and improved reporting functionality
 - A capital working group has been established within the Finance service which shares relevant information on capital developments and use of property across the council and has been given training on capital accounting
8. It is expected the above actions will improve the quality and timeliness of valuations, the accounting for fixed assets, and in the responses to audit enquiries going forward. As some of these actions were still work in progress during the production of the 2023-24 accounts the full impact of improvements is likely to benefit the 2024-25 statement of accounts.

9. With respect to recommendation not related to fixed assets or valuations, these have been implemented e.g., journal processes have been updated and additional checks implemented on members register of interests.

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

Community impact statement

10. 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

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Consultation

15. None required

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

16. 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	Recommendations from the 2021-22 and 2022-23 Audit Findings Reports

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Amarjit Uppal, Chief Accountant	
Version	Final	
Dated	22 August 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	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team	22 August 2024	

Appendix A

Recommendations from the 2021-22 Audit Findings Report

Risk Level	Issue and Audit Recommendation	Initial Management Response	Progress to date	Closed Y/N
High	<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>Recommendation</p>	<p>Year-end valuations for our significant investment asset portfolio is done at 31st March and all other assets are currently valued at 31 December. We will review current processes with the aim of moving as much, if not all, of the asset base to a 31st March valuation. It is possible that due to the exceptionally large asset base at Southwark, particularly the number of HRA dwellings this may impact on the timeliness of the closing process therefore an approach will be taken to balance the risk of late closing against the risk of misstatement due to an earlier valuation date.</p>	<p>We have commissioned the valuers to prepare all asset valuations for 2023-24 accounts at 31st March 2024. This has resulted in valuation work for valuers and accountants having to be done in a shorter time-frame exacerbated by the fact that the valuations are being done by an external firm for the first time. It is one of a number of factors which have caused some delay to the publication of the draft 2023-24 accounts but we expect that this pressure will reduce in future years if more time can be spent on preparation work during the year.</p>	<p>Y</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			
Medium	<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>Recommendation</p> <p>We recommend the Council reviews its processes and instructions for officers to ensure sufficient records are maintained to support journals posted.</p>	The council's journals protocol requires a robust process for storage of working papers and evidence of journal authorisation. The protocol will be updated and communicated to relevant staff with a focus on keeping accessible records that can be quickly provided to auditors on demand.	Guidance to accountants for 2023-24 closing included a renewed emphasis on record keeping for journals. A comprehensive review of journal processes is currently underway as part of the preparations for replacement of the council's finance system. We expect to utilise the functionality of a modern system to ensure journal processes are robust including audit trails and working documents being available within the system.	Y
Medium	<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: 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. 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>Recommendation</p> <p>We recommend the Council reviews its working paper requirements used to support the year end property valuations. Including having</p>	The valuation team have been instructed to implement this recommendation in full. The 2023-24 valuation has been outsourced to an external firm who will be required to provide comprehensive working papers for all valuations as a requirement of the contract.	Property valuations for 2023-24 have been outsourced to the external firm Cluttons. The arrangement with Cluttons includes a requirement to provide all working papers to back up the valuations. Once received these will be stored in a common folder accessible to the wider property team.	Y

	shared folders for key evidence used for each asset type as the valuation is performed.			
Medium	<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>Recommendation</p> <p>We recommend the Council performs a detailed annual review of this matter and clearly documents this in a paper each year</p>	Agreed. A paper on the accounting treatment of the Canada Water development will be prepared ahead of future audits.	The auditors focused on the Canada Water development agreement with British Land PLC because of the council's complex option rights to invest in individual development schemes for a return. In theory there is a value to these options which is very difficult to quantify. To date the council has not exercised these options on current developments and due to limits on capital resources it is unlikely to do so in the future. Therefore it is now deemed unnecessary to prepare an accounting paper on the potential value of options which do not have any material value. This matter will be kept under review in future years and in the event of the council taking up an option to invest in a plot development, the accounting treatment will be set out in a paper for the auditors	Not yet
Medium	<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>Recommendation</p>	An annual review of development agreements and similar arrangements will be undertaken to check whether additional payments from prior year asset disposals require disclosure as contingents assets in the statement of accounts	A review of all development agreements is carried out as part of the year end process to identify any potential receipts. A contingent assets note has been added to the statement of accounts. This includes narrative regarding the potential receipt of overage from disposal of land in prior years. Its not possible to quantify the value of such receipts at the current time but the accounts will be updated when reasonable estimates can be made.	Y

	<p>We recommend management review Contingent assets and ensure they are appropriately captured in the financial statements. We note the capturing of this information will also ensure this is appropriately monitored and audited to ensure its accuracy.</p>			
Medium	<p>Related Parties</p> <p>As part of our audit procedures, we undertake checks to Companies House 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>Recommendation</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>This matter will be communicated to all members and we will implement additional checks against Companies House records as part of our year-end processes.</p>	<p>There is an existing process to remind members to disclose all relevant interests. A comprehensive check of all members names is also now carried out annually against companies house records as part of the accounts closing process. In 2023-24 the checks revealed five cases of undisclosed declarations of members interests. All have now been updated on the register of member's interests.</p>	Y
Medium	<p>Review of Capital Records</p> <p>During our audit procedures relating to the Capital areas, we identified the following issues :</p> <p>£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 do not meet the IAS 16 definitions of being capital spend.</p> <p>We identified that a number of assets sitting in Surplus assets that required reclassifying. Although it was noted at the time it was appropriate to move these assets to these headings, we noted that there had not been sufficient review over this judgement as part of the year end closedown procedures.</p>	<p>Year-end procedures will be reviewed against capital accounting regulations and updated accordingly, and training will be provided to relevant accountancy staff to minimise the risk of errors.</p>	<p>For the 2023-24 additional checks were incorporated and additional officer resource was allocated to the capital closing process to minimise the risk of errors. This included direct liaison with numerous individual projects officers for capital schemes as well as with accountancy colleagues. Due to the size and complexity of the council's capital programme it is challenging task to ensure spend is coded to the correct assets, and keeping abreast of various disposals and change in use of assets.</p> <p>In addition the Chief Accountant held a capital training session for all capital accountants which included refreshers on various aspects of capital accounting.</p>	In progress

	<p>In our view the above matters represent deficiencies in the year end capital closedown process and increase the risk of misstatement in the financial statements</p> <p>Recommendation</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>A capital accounting working group will be set up to improve capital accounting across the council and as a forum for communication between the corporate finance team and capital accountants in the service areas.</p> <p>A major update of the RAM fixed asset system is underway to improve the quality of records and timeliness of reporting</p> <p>The improvements are still a work in progress and it cannot be guaranteed that some errors or omissions will surface in the 2023-24 audit. It is planned to add more officer resource to the corporate capital accounting function during 2025-25 to continue the journey of improvement</p>	
Low	<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 in the Financial Statements and to reflect this has been previously reported to members.</p> <p>Recommendation</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>The majority of recommendations from the internal audit review have been implemented, and work is in progress to fully implement the remainder which include further technical changes to the Mosaic system. Additional controls have also been put in place to mitigate risk of overpayment</p>	<p>This matter has been resolved going forward with the process improvements implemented in 2022-23.</p>	Y

Low	<p>Pooled budgets</p> <p>The Council's Pooled Budget arrangement was signed on 17 May 2022, meaning the agreement for 2021-22 was not signed off until after year end. This creates a risk that if there are disputes around the arrangement there is no signed contract by both parties</p> <p>Recommendation</p> <p>We recommend the Council ensure all key contracts/agreements are signed in an appropriate time period.</p>	No such issues were identified in our 2022-23 audit	This was a one off error and contracts/agreements are signed within appropriate time periods	Y

Recommendations from the 2022-23 Audit Findings Report

Risk Level	Issue and Audit Recommendation	Initial Management Response	Progress to date	Closed Y/N
High	<p>Review procedures following Valuation input into the Fixed Asset Register</p> <p>It was identified in our reconciliation of the fixed asset register to the valuation report that £125m of assets had been double counted. This resulted from the Council simplifying the componentisation process for Council dwellings. However, these assets were shown as being held at cost and not revalued in year despite the fact the valuer at the valuation date had revalued all Council dwellings.</p> <p>Recommendation</p> <p>We recommend the Council ensures the Fixed asset register and general ledger maintain consistency, rather than manual Journals being used to make corrections.</p>	<p>We have implemented more rigorous reconciliation checks between the Fixed Asset Register and the General Ledger during the processes for posting fixed asset transactions to the general ledger</p>	<p>This finding was not properly explained by the auditors and should have been corrected before finalising the audit findings report. This error resulted from the omission of a final reconciliation between the Fixed Asset Register (FAR) and the valuation report. The FAR and general ledger were consistent but both incorrect due to the double-counting which was first picked up the council officers and reported to the auditors. The reconciliation between the FAR and the General Ledger has been enhanced including a review by an officer independent of the capital accountants.</p>	Y
High	<p>Review of Reclassifications and Assets Under Construction Balances</p> <p>In our testing of reclassifications, the following issues were identified:</p> <ul style="list-style-type: none"> • Surplus assets required a 76m adjustment to Investment properties following further reviews prompted by audit queries, this adjustment was put through in the prior year. • We identified £17m of OLB assets that had been incorrectly transferred to Assets Under construction. • In addition, 35m of assets that have been identified as surplus assets were incorrectly classified as Assets Under construction, this adjustment was put through in the prior year <p>We also noted on review of the Asset Under construction balance that management does not perform an annual impairment review of these ongoing projects. We note that although Assets Under construction are held at cost on large capital risks there is the possibility of costs being impaired. And management should ensure they are reviewed for the risk of impairment under IAS 36. This is particularly relevant given the large balance of Assets Under</p>	<p>We have allocated additional resources to support the fixed asset processes including detailed review of AUC and surplus assets and impairment reviews. This will allow us to make additional enquiries of capital project managers to ensure the Fixed Asset Register reflects the most up to date information</p>	<p>The principal cause of the misclassification of assets was due to problems in the corporate finance team in keeping abreast of changes in the use of assets e.g., a number of assets were purchased on the Old Kent Road for future development which has not yet materialised and therefore there is some uncertainty on their classification.</p> <p>As noted in the Capital records item in the 2021-22 audit additional resource has been allocated to the capital closing process so that further checks and review of assets can be carried out prior to completion of accounts. This also includes an impairment review of assets under construction particularly focusing on the HRA where projects in progress have been checked against the Southwark</p>	In progress

	<p>Construction held by the council of £680.8m. There were also assets sitting in Assets Under construction with the wrong valuation method i.e. held at cost not depreciated.</p> <p>The above creates risks around inaccurate classification/valuation of Property Plant and equipment.</p> <p>Recommendation</p> <p>Management should ensure annually assets in all classes are reviewed formally for reclassification and the risk of impairment. We note assets held as surplus assets and Assets Under construction require particular attention in relation to these reviews.</p>		<p>construction database for evidence of on-going viability.</p>	
Medium	<p>Variances between the Fixed Asset Register to the Statement of Accounts</p> <p>We identified two reconciling issues between the General Ledger and Fixed Asset register:</p> <p>1) We have identified a reconciling difference in the amount of 2,062k between the GL/FAR and the note in the Other Land and Building (OLB) and Assets Under Construction (AUC) category due to the Bellenden Primary school revaluation adjustment, which has been incorrectly accounted for as an AUC. While the figure in the accounts is correct, the FAR/TB position will need to be adjusted accordingly.</p> <p>2) We also identified another reconciling difference between FAR and the Accounts in the AUC category in the amount of £1,231k. This difference accounts for the depreciation which was recorded in the FAR but not in the Accounts (which is the correct treatment).</p> <p>Recommendation</p> <p>We recommend the Council ensures the Fixed asset register and general ledger maintain consistency, rather than manual Journals being used to make corrections.</p>	<p>We have implemented more rigorous reconciliation checks between the Fixed Asset Register and the General Ledger during the processes for posting fixed asset transactions to the general ledger.</p>	<p>The additional checks should reduce the probability of these type of errors even if they are relatively minor in relation to the Southwark asset base.</p>	Y

Meeting Name:	Audit, governance and standards committee
Date:	5 September 2024
Report title:	Audit progress update for the year ending 31 March 2024
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Strategic Director of Finance

RECOMMENDATION

1. That the audit, governance and standards Committee note the Audit progress update for the year ending 31 March 2024, as attached at Appendix A

BACKGROUND INFORMATION

2. The purpose of the report at Appendix A is to provide an update on the audit progress update for the year ending 31 March 2024, for those charged with governance.

Policy framework implications

3. The report is not considered to have direct policy framework implications.

Community impact statement

4. This report is 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

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Financial implications

9. This report is financial in nature but does not give rise to any direct costs.

Legal Implications

10. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1972, part 2 of the Audit Commission Act 1998 and the regulations made there under.

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	Audit progress update for the year ending 31 March 2024

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Fleur Nieboer, Phillip Kent, KPMG LLP	
Version	Final	
Dated	23 August 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	23 August 2024	

Southwark Council

Report to the Audit, Governance and Standards
Committee

Audit progress update for the year ending 31 March 2024

5 September 2024

Introduction

To the Audit, Governance and Standards Committee of Southwark Council

We are pleased to have the opportunity to meet with you on 5 September 2024 to provide an update on our audit of the financial statements of Southwark Council (the Council), as at and for the year ending 31 March 2024.

We have been appointed as your auditors by Public Sector Audit Appointments Ltd. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice.

This report outlines our progress to date on your audit, and key updates to our planned audit approach following our review of the predecessor auditor's files.

We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls; and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner.

The audit undertaken in the current year is dependent on the finalisation of the previous auditor's work over historical financial statements.

We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.



Our progress so far and updates to audit risks



Our progress so far

We have made substantial progress in our audit work to date. So far, we have:

- Finalised our risk assessment procedures, including reviewing the work performed by the predecessor auditor on the financial statements.
- Reviewing the draft financial statements, sharing our feedback with officers.
- Commenced our audit procedures over taxation income, HRA rental income, fees and charges income, Council (as opposed to school) payroll, and non-pay expenditure.
- Started inspecting the Council's valuation of land and buildings – we have selected a sample of assets to investigate in further detail.

Over the coming weeks we will issue further samples and complete our work over key areas of the financial statements.

Value for Money

We plan to perform further procedures over Value for Money upon the conclusion of the prior period work by the predecessor auditor. This is to ensure we have a complete and final picture of the brought forward position of the Council (in terms of both historical trends in financial sustainability and any issues arising across all the domains of Value for Money) when we perform our work.

Updates to audit risks

We outline below where, in our previously communicated audit risks and response, where we have revised our risk assessment.

Risk	Changes
Valuation of land and buildings	<p>We have focused our significant risk on Council Dwellings as opposed to all land and buildings.</p> <p>This reflects that the Council Dwellings make up the largest part of the balance, and the valuation approach used means that should an error in valuing a small number of beacons arise, it can have an outsized impact on the valuation as a whole.</p>
Fraud risk related to expenditure recognition	<p>We have removed the element of the risk relating to incorrect capitalisation of expenditure on account of there being limited opportunity to do so due to the nature of the capital financing regime.</p>

Updates to materiality

Our materiality levels

We updated materiality based on the figures in the draft financial statements but have not changed the basis upon which it was calculated.

We determined materiality for the Council's financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of total expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as stability of legislation, lack of borrowing, and lack of shareholders when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £10.4m / 65% of materiality driven by our increased assessed level of risk of undetected misstatements as we learn more about the Council's systems and processes, as well as on account of deficiencies in the configuration of the SAP system.

We will report misstatements to the Audit, Governance and Standards Committee including:

- Corrected and uncorrected audit misstatements above £805,000.
- Errors and omissions in disclosure (corrected and uncorrected) and the effect that they, individually and in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

Control environment

The impact of the control environment on our audit is reflected in our planned audit procedures. Our planned audit procedures reflect findings raised in the previous year and management's response to those findings.

- Other than for cash, we are not anticipating placing reliance on the Council's internal controls as part of our audit work.

Materiality

Materiality for the financial statements as a whole

£16.1m

1.0% of total expenses
Previously £13.9m

Procedures designed to detect individual errors at this level

£10.4m

65% of materiality
Previously £9.03m

Misstatements reported to the Audit, Governance and Standards Committee

£805k

Previously £695k



Updates to our timetable



Our schedule

Key:

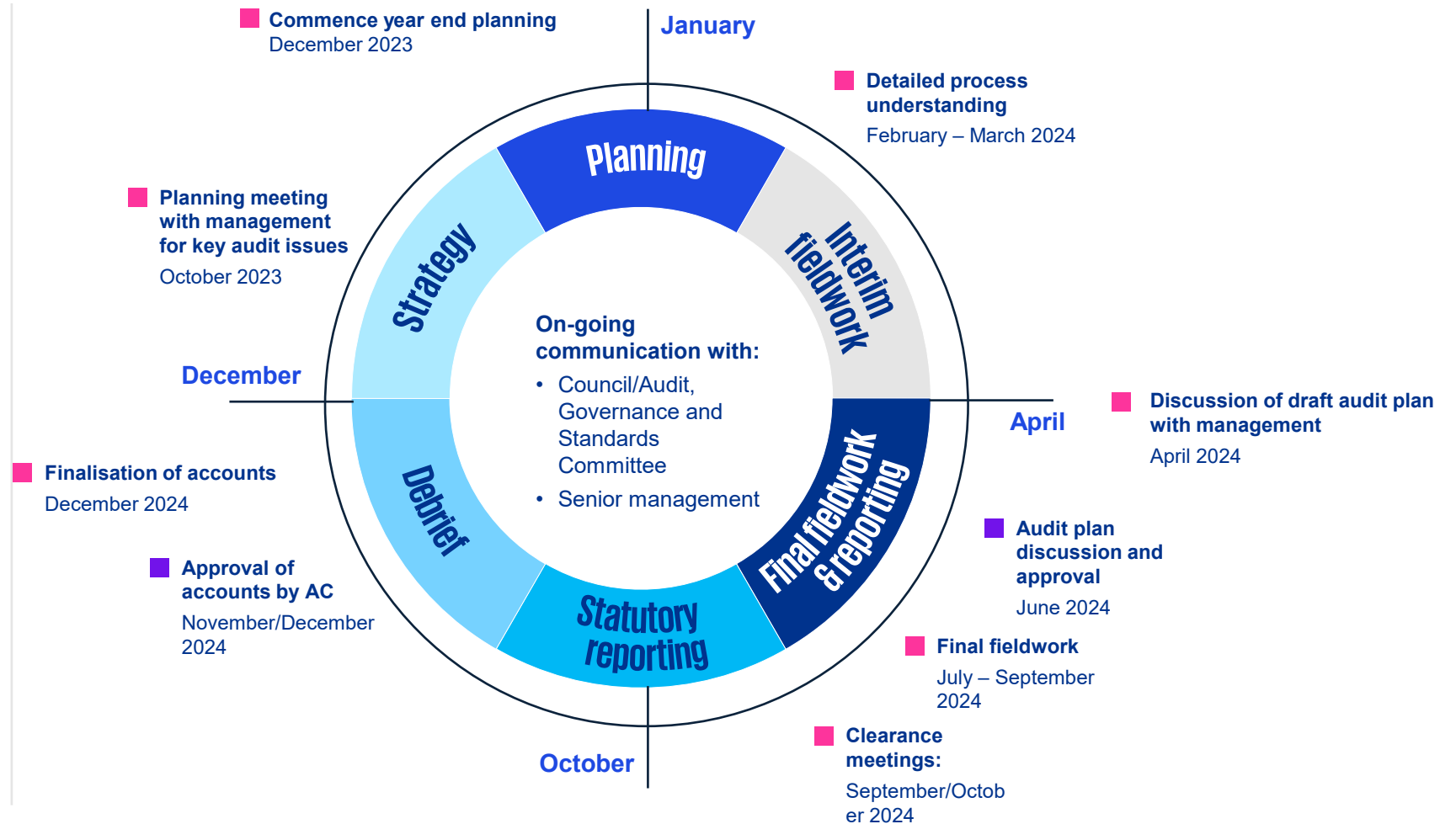
- Timing of AC communications
- Key events

We have worked with management to generate our understanding of the processes and controls in place at the Council in its preparation of the Statement of Accounts.

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report during December 2024.

This being the first year of KPMG as auditor we have undertaken greater activities to understand the Council at the planning stage. This level of input may not be required in future years and may change our audit timings.

Given the large amount of consultation happening in regard to the scope and timing of local government this audit schedule may be subject to change.





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Document Classification: KPMG Public

Meeting Name:	Audit, governance and standards committee
Date:	5 September 2024
Report title:	External audit plan & strategy for Southwark Pension Fund 2023/24
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Strategic Director of Finance

RECOMMENDATION

1. That the audit, governance and standards Committee note the external audit plan for 2023-24 for Southwark Pension Fund, as attached at Appendix A

BACKGROUND INFORMATION

2. The purpose of the report at Appendix A is to provide an overview of the risk assessment and planned audit approach for the statutory audit of the council's pension fund, for those charged with governance.

Policy framework implications

3. The report is not considered to have direct policy framework implications.

Community impact statement

4. This report is 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

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Financial implications

9. This report is financial in nature but does not give rise to any direct costs.

Legal Implications

10. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1972, part 2 of the Audit Commission Act 1998 and the regulations made there under.

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	External Audit Plan & Strategy – Southwark Council Pension Fund 2023-24

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Fleur Nieboer, Phillip Kent KPMG LLP	
Version	Final	
Dated	23 August 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	23 August 2024	

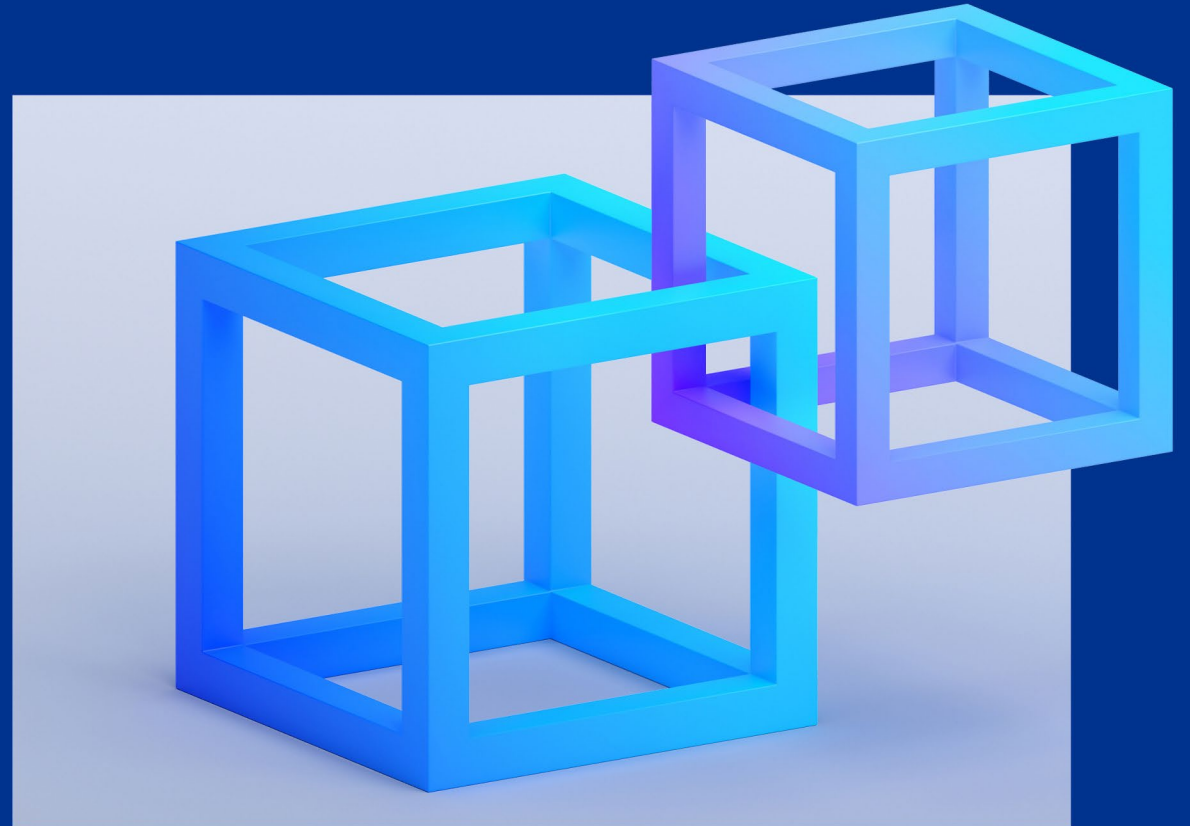


Southwark Pension Fund

Report to Audit, Governance & Standards Committee: DRAFT

Audit plan and strategy for the year ending 31 March 2024

23 August 2024



Introduction

To the Audit, Governance & Standards Committee of Southwark Pension Fund

We are pleased to have the opportunity to meet with you on 5 September 2024 to discuss our audit of the financial statements of Southwark Pension Fund ("the Fund"), as at and for the year ending 31 March, 2024.

This report outlines our risk assessment and planned audit approach. Our planning activities are complete but our risk assessment process is ongoing and we will communicate any significant changes to the planned audit approach to you at the next Committee meeting. We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

Contents	Page
Overview of planned scope including materiality	3
Significant risks and other audit risks	5
Audit risks and our audit approach	6
Other significant matters related to our audit approach	9
Mandatory communications	10
Appendices	12

The engagement team

Fleur Nieboer, FCA, is the engagement partner on the audit. She has over 20 years of industry experience.

She shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include Kunal Malhotra, engagement Manager and Tanvi Jain, in-charge with eight years and four years of experience respectively.

Yours sincerely,



Fleur Nieboer

Engagement Partner

23 August 2024

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner. The audit undertaken in the current year is dependent on the finalisation of the previous auditor's work over historical financial statements.

Restrictions on distribution

This report is intended solely for the information of those charged with governance of Southwark Pension Fund and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.



Overview of planned scope including materiality

Our materiality levels

We determined materiality for the Southwark Pension Fund financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of the Fund's total assets which we consider to be appropriate given the sector in which the Fund operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as the fact that this is our initial audit, concentration of ownership, business environment, other sensitivities such as changes in regulation when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £13.6m / 65% of materiality driven by our expectations of increased level of undetected or uncorrected misstatements as we learn more about the Fund's financial systems and processes in this first year.

We will report misstatements to the Audit, Governance & Standards Committee including:

- Corrected and uncorrected audit misstatements above £1.0m.
- Errors and omissions in disclosure (corrected and uncorrected) and the effect that they may have, individually and in aggregate, on our opinion.
- Any other misstatements we may include due to the nature of the item.

Control environment

The impact of the control environment on our audit is reflected in our planned audit procedures. Our planned audit procedures reflect findings raised by the predecessor auditor and management's response to those findings.

File review

We will undertake an appropriate prior year file review following the issuance of the final opinion by the previous auditors.

Materiality

	Group
Materiality for the financial statements as a whole	£21.0m 1% of total assets
Procedure designed to detect individual errors at this level	£13.6m
Misstatements reported to the Audit, Governance & Standards Committee	£1.0m

Southwark Pension Fund Materiality

£21.0m

1% of pension fund's total assets £2,236m as at 31 March 2024





Overview of planned scope including materiality (cont.)

Timing of our audit and communications

- We will maintain communication led by the engagement Partner and Manager throughout the audit. We set out below the form, timing and general content of our planned communications:
- Kick-off meeting with management where we present our draft audit plan outlining our audit approach and discuss management's progress in key areas
- Audit, Governance & Standards Committee meeting on the 5 September 2024 where we present our audit plan
- Regular status meetings with management where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues
- Closing meeting with management in November 2024 where we discuss the auditor's report and any outstanding deliverables
- Audit, Governance & Standards Committee meeting in November 2024 where we communicate audit misstatements and significant control deficiencies

Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
Internal Audit	We will review the work of internal audit as part of our risk assessment procedures but will not place reliance on their work.
IT Audit	We will use our IT Audit team to understand how the Fund uses IT in financial reporting, and the key processes and governance in place over those IT systems.
KPMG Pensions Centre of Excellence	We will use our actuarial specialists to review the assumptions used to calculate the present value of retirement benefits.
iRADAR	Our in-house investment valuation team, iRADAR, will be engaged to independently revalue level 1 and 2 investments and identify stale price issues of such investments within the portfolio as well as any exposures to hard to value assets.
Real estate valuer specialist	KPMG will engage a real estate specialist as part of our work on the Fund. The services of the specialist will be used to determine the appropriateness of the valuations of the properties held by the pension fund. We plan to use our real estate valuation specialist in the work over the Fund's investment property assets.

Significant risks and other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the pension fund, the industry and the wider economic environment in which Southwark Pension Fund operates.

We also use our regular meetings with senior management to update our understanding and take input from internal audit reports.

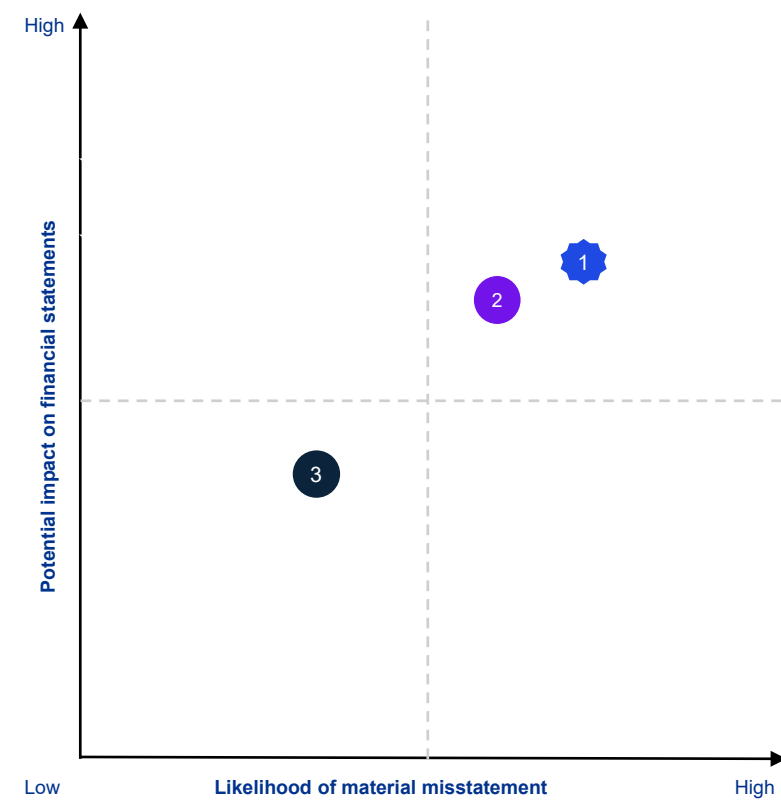
Due to the current levels of uncertainty there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Audit, Governance & Standards Committee.

Significant risks

- 1 Management override of controls (presumed significant risk)
- 2 An inappropriate amount is estimated for the value of directly held investment property.

Other audit risks

- 3 Valuation of Level 1, 2 and other Level 3 investments is misstated



KEY

- 1 Presumed significant risk
- 2 Significant financial statement audit risk
- 3 Other audit risks





Audit risks and our audit approach

1 Management override of controls(a)



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.



Planned response

Our audit methodology incorporates the risk of management override as a default significant risk. In response we will:

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluate the selection and application of accounting policies.
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the entities normal course of business, or are otherwise unusual.
- Analyse all journals through the year using data and analytics and focus our testing on those with a higher risk, such as material journals posted during the final close down period.

Note: (a) Significant risk that professional standards require us to assess in all cases.



Audit risks and our audit approach

2

An inappropriate amount is estimated for the value of directly held investment property



Significant audit risk

- An inappropriate amount is estimated for the value of directly held property due to inappropriate assumptions, errors in the underlying data or inaccurate computation of the valuation estimate.
- The risks of material misstatement relating to fair values of directly held property, have increased due to the value of the balance (c£218m as at 31 March 2024) that therefore higher degree of estimation uncertainty resulting from current economic conditions that may impact the portfolio.



Planned response

- Under the International Standards of Auditing, we are required to identify and evaluate the design and implementation of an internal control in relation to significant risks.
- The Fund appoints a third party (Knight Frank) to value the property that it holds. We will assess the design and implementation of the management review control associated with the property valuation process that is undertaken each year.
- We will obtain the property valuation produced by the independent valuer as at 31 March 2024 directly from Nuveen, who act as the investment manager for directly held property.
- We will assess the competence, experience and independence of Knight Frank as a management specialist and assess their competency as a property valuer and their work for use as audit evidence.
- We will consider the completeness of the information shared with Knight Frank in relation to the portfolio of directly held investment properties.
- We will consider the reasonableness of assumptions that have been made in arriving at the valuation by comparing them to available benchmark data.
- We will review the revaluation basis and consider its appropriateness. In doing so we will draw on relevant benchmarks and we will engage our real estate valuation specialists to review the assumptions underlying the properties' valuations for a selection of the directly held property portfolio.

Audit risks and our audit approach (cont.)

3

Valuation of Level 1, 2 and other Level 3 investments is misstated



Other audit risk

- Investments are held to pay benefits of the Fund. They are largely held as segregated investments, pooled investment vehicles, directly held property and unitised insurance policy with multiple investment managers across a number of asset classes. The investments are material to the financial statements (99.9% of the Statement of Net Assets) and therefore there is a risk of material misstatement.
- There is a risk of material misstatement relating to fair values of level 1 and 2 pooled investments, due to the estimation uncertainty resulting from the pricing of these investments.
- There is a risk of material misstatement relating to fair values of level 3 pooled investments, due to the estimation uncertainty resulting from unobservable inputs to these investments.
- The risks of material misstatement relating to fair values of directly held property, have increased due to the higher degree of estimation uncertainty resulting from current economic conditions.



Planned response

Our approach in relation to valuation for different types of investments is as follows:

- **Segregated financial instruments:** Our in-house investment valuation team, iRADAR, will be engaged to independently revalue segregated securities and over the counter (OTC) derivative prices and identify stale price issues of directly held financial instruments within the investment portfolio as well as any exposures to hard to value assets.
- **Level 1 & 2 pooled investment vehicles:** We will recalculate the value of the Level 1 and 2 pooled investments using published pricing of the pooled investment vehicles at the year end.
- **Level 3 pooled investment vehicles:** For each Level 3 pooled investment vehicle investment manager, as part of our audit procedures, we assess the competency of the investment manager and their work for use as audit evidence;
- We will obtain the unaudited Net Asset Value ('NAV') Statement at (or closest to) the measurement date and vouch the valuation to this. We will further assess the reliability of the NAV statement by:
 - Obtaining and inspecting the latest audited financial statements for the underlying funds where available;
 - Inspecting the audit report to confirm that it is unqualified and that the audit has been carried out by a reputable audit firm; and
 - Comparing the unaudited pricing information at the year end to the audited financial statements valuation. Where the audited financial statements are not as at the Fund year end date, we will agree them to unaudited pricing information at that date and reconcile significant movements to the Fund year end date agreeing movements to quarterly NAV/transaction statements.

Other significant matters related to our audit approach



Additional reporting

The audit is undertaken to comply with the Local Audit and Accountability Act 2014, which places additional responsibilities on auditors, as well as further requirements to report to the National Audit Office.

Our audit responsibilities under the Code of Practice in respect of the Pension Fund, are as follows:

We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.

We consider our other duties under legislation and the Code, as and when required, including:

- Giving electors the opportunity to raise questions about your 2023/24 financial statements, consider and decide upon any objections received in relation to the 2023/24 financial statements;
- Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
- Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
- Issuing an advisory notice under Section 29 of the Act.

As part of our procedures on other information, we will obtain and read your pension fund annual report and climate change disclosures. We will consider whether there is a material inconsistency between this information included in the annual report and the financial statements, or with our knowledge obtained in the audit; or whether this information appears to be materially misstated.




Mandatory communications - additional reporting

Going concern




Under NAO guidance, including Practice Note 10 - A local authority's financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern.

Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:

Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily 	We have identified issues that we may need to report 	Work is completed at a later stage of our audit so we have nothing to report 
---	---	---

We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.



Mandatory communications



Type	Statements
Management's responsibilities (and, where appropriate, those charged with governance)	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
Auditor's responsibilities	<p>Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express 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.</p>
Auditor's responsibilities – Fraud	<p>This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.</p>
Auditor's responsibilities – Other information	<p>Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.</p>
Independence	<p>Our independence confirmation at page 23 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement partner and audit staff.</p>

Appendices

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B	Fees	14
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D	Confirmation of independence	16
E	KPMG's Audit quality framework	18
G	ISA (UK) 240 Revised: Summary of key changes	19

Audit team and rotation

Your audit team has been drawn from our Pensions Centre of Excellence and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit partner and firm.

	<p>Fleur Nieboer is the partner responsible for our audit. She will lead our audit work, attend the Audit, Governance & Standards Committee, Pension Board and Pensions Committee and be responsible for the opinions that we issue.</p>		<p>Kunal Malhotra is the manager responsible for our audit. He will co-ordinate our audit work, attend the Audit, Governance & Standards Committee, Pension Board and Pensions Committee and ensure we are co-ordinated across our accounts and use of funds work.</p>
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To comply with professional standard we need to ensure that you appropriately rotate your external audit partner. There are no other members of your team which we will need to consider this requirement for:



This will Fleur's first year as your engagement partner so she can perform another four years before rotation is required.



Fees

Audit fee

Our proposed fees for the year ending 31 March 2024 have been agreed with the management.

Pension Fund	2023/24 (£'000)
Financial statements	75
TOTAL	75

*The scale fees agreed with the PSAA do not take into account the impact of ISA315 (Revised). We expect compliance with ISA315R to increase audit hours by between 5% and 20% for our pension fund audits. We will agree a fee variation in respect of ISA351R with you once we have a clearer idea of the impact for your audit.

Billing arrangements

Fees will be billed in accordance with a billing schedule agreed with the PSAA.

Basis of fee information

In line with our standard terms and conditions the fee is based on the following assumptions:

- The Southwark Pension Fund audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit;
- Supporting schedules to figures in the accounts are supplied;
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

If there are any variations to the above plan, we will discuss them with you and agree any additional fees before costs are incurred wherever possible.

Audit cycle & timetable

Our schedule Jan 2024 – Dec 2024

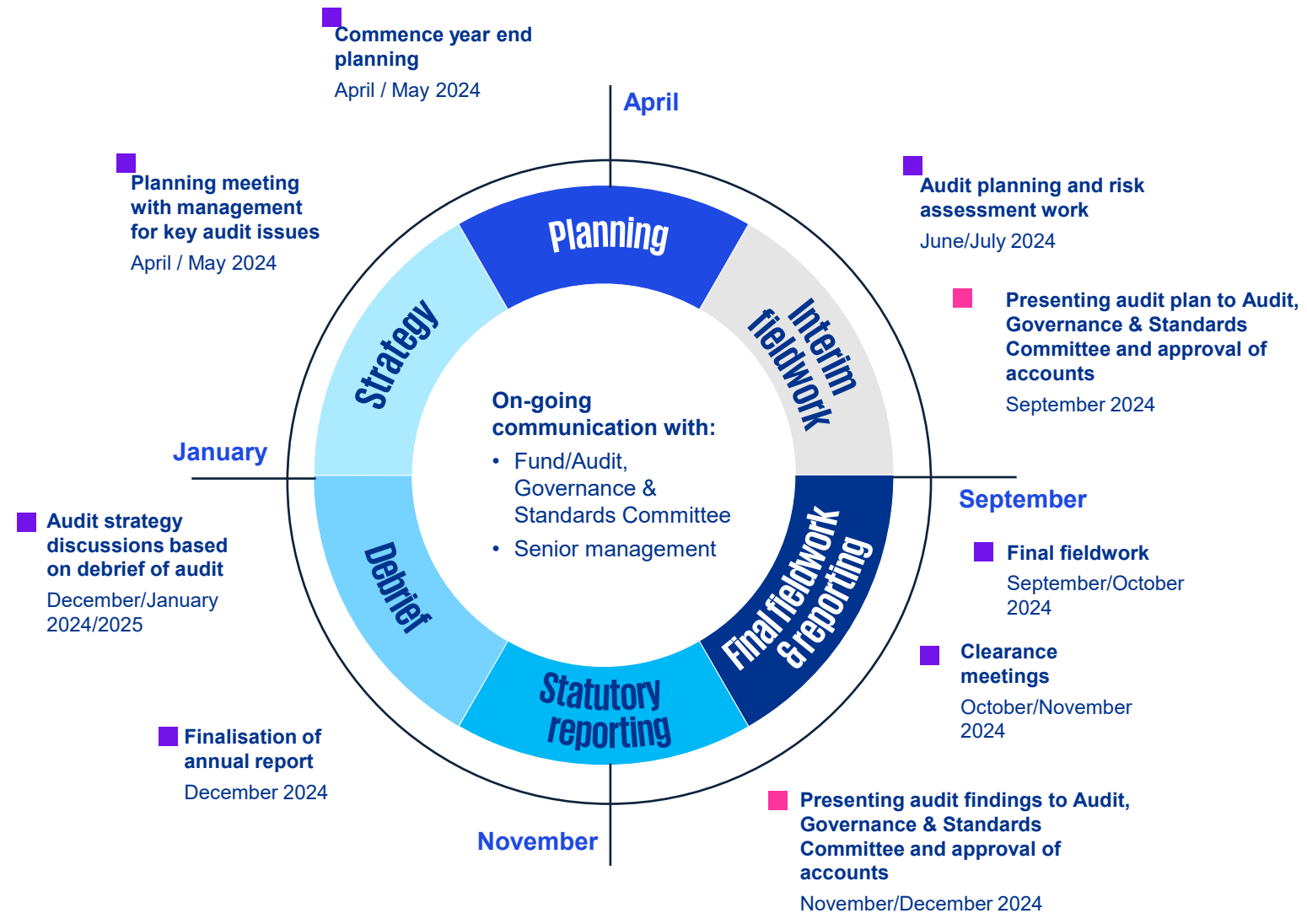
- Key:
- Timing of AGS Committee communications
 - Key events

We have worked with management to generate our understanding of the processes and controls in place at the Pension Fund in its preparation of the Statement of Accounts.

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report during December 2024.

This being the first year of KPMG as auditor we have undertaken greater activities to understand the Pension Fund at the planning stage. This level of input may not be required in future years and may change our audit timings.

Given the large amount of consultation happening in regard to the scope and timing of local government this audit schedule may be subject to change.



Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit, Governance & Standards Committee members

Assessment of our objectivity and independence as auditor of Southwark Pension Fund

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

The conclusion of the audit engagement partner as to our compliance with the FRC Ethical Standard in relation to this audit engagement is subject to review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity

Application of the FRC Ethical Standard 2019

We communicated to you previously the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

We communicated to you previously the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.



Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit, Governance & Standards Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit, Governance & Standards Committee of the Pension Fund and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP





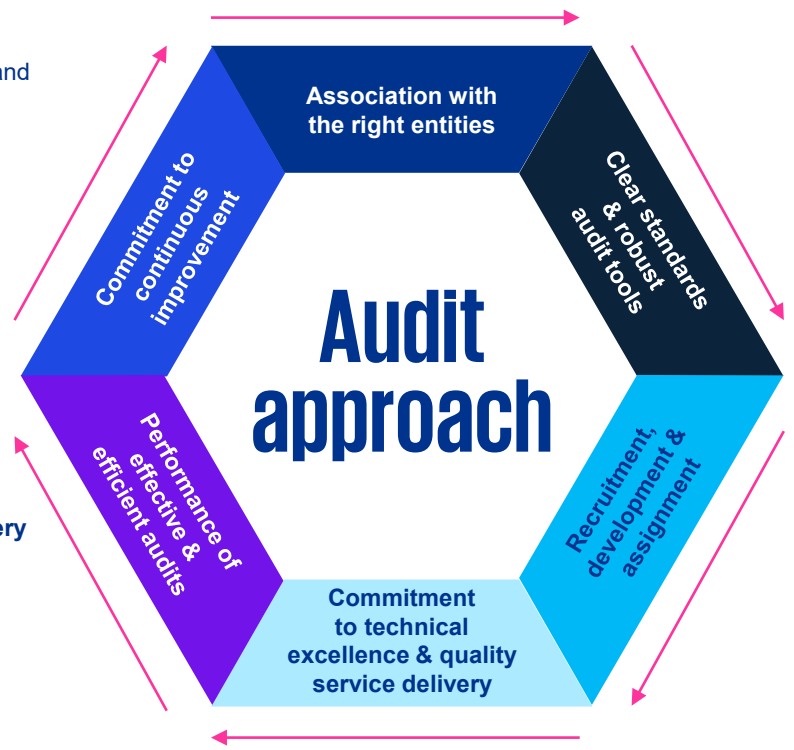
KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

- **Commitment to continuous improvement**
 - Comprehensive effective monitoring processes
 - Significant investment in technology to achieve consistency and enhance audits
 - Obtain feedback from key stakeholders
 - Evaluate and appropriately respond to feedback and findings
- **Performance of effective & efficient audits**
 - Professional judgement and scepticism
 - Direction, supervision and review
 - Ongoing mentoring and on the job coaching, including the second line of defence model
 - Critical assessment of audit evidence
 - Appropriately supported and documented conclusions
 - Insightful, open and honest two way communications
- **Commitment to technical excellence & quality service delivery**
 - Technical training and support
 - Accreditation and licensing
 - Access to specialist networks
 - Consultation processes
 - Business understanding and industry knowledge
 - Capacity to deliver valued insights



- **Association with the right entities**
 - Select entities within risk tolerance
 - Manage audit responses to risk
 - Robust client and engagement acceptance and continuance processes
 - Client portfolio management
- **Clear standards & robust audit tools**
 - KPMG Audit and Risk Management Manuals
 - Audit technology tools, templates and guidance
 - KPMG Clara incorporating monitoring capabilities at engagement level
 - Independence policies
- **Recruitment, development & assignment of appropriately qualified personnel**
 - Recruitment, promotion, retention
 - Development of core competencies, skills and personal qualities
 - Recognition and reward for quality work
 - Capacity and resource management
 - Assignment of team members and specialists





ISA (UK) 240 Revised: changes embedded in our practices

Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor’s responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor’s obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management’s process for identifying and responding to the risks of fraud in the Pension Fund and our assessment of the risks of material misstatement due to fraud.

Area	Our approach following the revisions
Risk assessment procedures and related activities	<p>[1] Increased focus on applying professional scepticism – the key areas affected are:</p> <ul style="list-style-type: none"> the need for auditors not to bias their approach towards obtaining evidence that is corroborative in nature or excluding contradictory evidence, remaining alert for indications of inauthenticity in documents and records, and investigating inconsistent or implausible responses to inquiries performed. <p>[2] Requirements to perform inquiries with individuals at the Pension Fund are expanded to include, amongst others, those who deal with allegations of fraud.</p> <p>[3] We will determine whether to involve technical specialists (including forensics) to aid in identifying and responding to risks of material misstatement due to fraud.</p>
Internal discussions and challenge	<p>We will have internal discussions among the audit team to identify and assess the risk of fraud in the audit, including determining the need for additional meetings to consider the findings from earlier stages of the audit and their impact on our assessment of the risk of fraud.</p>



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Meeting Name:	Audit, governance and standards committee
Date:	5 September 2024
Report title:	Internal Audit Progress Report 2023-24 and 2024-25
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Strategic Director of Finance

RECOMMENDATION

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

BACKGROUND INFORMATION

2. This report informs the Audit, Governance and Standards Committee of progress against completion of the 2023-24 internal audit plan and a summary status report relating to the progress against the 2024-25 plan.

Policy framework 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.

Further guidance

7. None required.

Climate change implications

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

Resource implications

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

Consultation

10. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

11. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix A	Internal audit progress report 2023-24 and 2024-25
Appendix B	Internal audit progress report: Supplementary report – follow up status details

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Aaron Winter, Angela Mason-Bell, BDO	
Version	Final	
Dated	23 August 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		23 August 2024

INTERNAL AUDIT PROGRESS REPORT

London Borough of Southwark
2023-24 and 2024-25

For presentation to the Audit, Governance
and Standards Committee 5 September 2024

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1. SUMMARY OF INTERNAL AUDIT WORK

INTERNAL AUDIT

This report informs the Audit, Governance and Standards Committee of progress against completion of the 2023-24 internal audit plan and a summary status report relating to the progress against the 2024-25 plan. 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. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and subrisks, 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.

INTERNAL AUDIT METHODOLOGY

We agree 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 the appendix to this report.



2023-24 INTERNAL AUDIT PLAN

The status of the audits commenced to date for 2023-24 is outlined within section two of this report. We have issued all final reports.

For those reports finalised since the last meeting of the Committee, the executive summaries are included in section five of this report.

The final internal audit annual report and head of internal audit opinion for 2023-24 is included under separate cover with your papers.

2024-25 INTERNAL AUDIT PLAN

We have confirmed the specific timings with the lead officers for the majority of the audits in the plan for 2024-25 and we are making good progress on the audits scheduled for quarters one and two. A status report for the 2024-25 internal audit plan is included in section three of this report.

As the primary focus of this report is 2023-24, where 2024-25 work has been completed and reports have been finalised, the executive summaries will be included in our progress report presented to the November 2024 meeting of the Committee.

INTERNAL AUDIT PROGRAMME FOR SCHOOLS

We have completed the programme of schools for 2023-24. We are awaiting responses to three draft reports, all other reports have been issued in final.

The annual schools summary report for 2023-24 is included under separate cover with your papers.

The school internal audit plan has commenced with school site visits for the Summer term completed in June and July 2024 as planned.

A schedule of status and internal audit opinions for schools across 2023-24 and 2024-25 is included in section four of this report.

FOLLOW UP

Since our last report in June 2024 the Council has increased its recommendation implementation rate from 89.6% to 92.8%. This increase is largely due to receiving evidence to support the implementation of recommendations, and therefore being able to mark those recommendations as fully implemented.

Several recommendation target dates for 2022-23 audits continue to be revised, which is preventing this implementation rate from improving further. Overall, the remaining longstanding recommendations from previous years yet to be fully implemented have reduced in number.

Summary information and the status of recommendations that have not been completed is included in section six of this report. Further details on recommendations not yet implemented in full is included in our supplementary report.

NON-INTERNAL AUDIT WORK COMPLETED SINCE THE LAST MEETING

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.

RESULTS OF BDO INTERNAL QUALITY REVIEW

Cold review is an integral component of BDO's quality and risk requirements and requires all streams to have a process in place for engagements to be independently reviewed. The purpose of the cold review is to evaluate whether assignments and projects are being managed in compliance with the Firm's and stream's quality and risk procedures. It also demonstrates our commitment within our strategic framework to high quality, independence, and ethics, and ensures that we meet the Public Sector Internal Audit Standards.

The London Borough of Southwark was selected for cold review for 2023/24. The reviewed involved an initial self-assessment against the required standards by the Engagement Lead (Aaron Winter) and Client Manager (Angela Mason-Bell) and provision of evidence to support assertions made. The evidence was reviewed by a Senior Manager in a team independent to PSIA reporting into the Director for Quality and Risk within Digital & Risk Advisory Services. The assessment was then moderated by a Panel comprised of Partners and Directors.

We are pleased to report that the highest rating of 1 'Meeting Expectations' was assigned, with no advisory or improvement points raised.

2. SUMMARY OF INTERNAL AUDIT PLAN 2023-24

The table below includes the status of audits not previously reported to the Audit, Governance and Standards Committee. For those audits shaded in grey, the executive summaries are included in section 4.

Audit	Director / Sponsor	ToR issued	Field work	QA / Reporting	Design	Operational Effectiveness
FINAL REPORTS - EXECUTIVE SUMMARIES INCLUDED IN THIS PROGRESS REPORT						
Accounts Receivable and Debt Management	Director, Customer and Exchequer Services	✓	✓	Final	Moderate	Moderate
Building Safety	Assistant Director, Building Safety	✓	✓	Final	Moderate	Moderate
Capital Expenditure Management - Housing Revenue Account	Director, Finance	✓	✓	Final	Moderate	Moderate
Council Delivery Plan	Assistant Chief Executive, Strategy and Communities	✓	✓	Final	Moderate	Moderate
Housing Benefits	Director, Customer and Exchequer Services	✓	✓	Final	Substantial	Moderate
ICS / ICB Partnership Governance	Director, Commissioning	✓	✓	Final	Substantial	Moderate
IT - Cyber Security	Chief Digital & Technology Officer	✓	✓	Final	Moderate	Limited
IT - Hardware Asset Management	Chief Digital & Technology Officer	✓	✓	Final	Moderate	Limited
IT - Service Review	Chief Digital & Technology Officer	✓	✓	Final	Substantial	Moderate
Leisure Services Assurance	Director, Leisure	✓	✓	Final	Moderate	Substantial
Legal Fees	Director, Children and Families / Assistant Chief Executive - Governance and Assurance	✓	✓	Final	Moderate	Moderate
Payroll	Director, Customer and Exchequer Services	✓	✓	Final	Moderate	Moderate

3. SUMMARY OF INTERNAL AUDIT PLAN 2024-25

The table below includes the status of all audits to be completed as part of the 2024-25 internal audit plan. A further update and summaries will be provided to the November 2024 meeting.

Audit	Director / Sponsor	Timing / ToR issued	Field work	QA / Reporting	Design	Operational Effectiveness
CHILDREN AND ADULT SERVICES DIRECTORATE						
Deputyships and Appointeeships	Director, Adult Social Care	September 2024				
Foster Carers	Director, Children and Families	November 2024				
Social Care Contract Management	Director, Commissioning	December 2024				
Substance Misuse	Director, Public Health	September 2024				
Supported Families - Quarter One	Director, Children and Families	✓	✓	Final	N/A - Grant	
Supported Families - Quarter Two	Director, Children and Families	✓ September 2024				
Supported Families - Quarter Three	Director, Children and Families	✓ December 2024				
Supported Families - Quarter Four	Director, Children and Families	✓ March 2025				
Traded Services	Director, Children and Families	December 2024				
Waiting Lists	Director, Adult Social Care	October 2024				
ENVIRONMENT, NEIGHBOURHOODS AND GROWTH DIRECTORATE						
Climate Emergency	Climate Change and Sustainability Director	January 2025				
Enforcement	Director, Environment	January 2025				

Highways Maintenance	Director, Environment	January 2025				
Planning Applications and S106 Agreements	Director, Planning and Growth	✓	✓			

Audit	Director / Sponsor	Timing / ToR issued	Field work	QA / Reporting	Design	Operational Effectiveness
Pest Control	Director, Environment	✓ September 2024				
Solace Overpayments	Director, Communities	✓	✓	✓ Draft 08/07/24		
Streets for People Strategy	Director, Environment	October 2024				
Street Lighting and Signs	Director, Environment	January 2025				
Waste contract / PFI	Director, Environment	October 2024				
Youth and Play Service	Director, Leisure	October 2024				

FINANCE DIRECTORATE

Accounts Payable	Director, Customer and Exchequer Services	November 2024				
Bankline	Director, Customer and Exchequer Services	✓	✓	✓ QA		
Bribery and Corruption Controls	Strategic Director of Finance	January 2025				
Budgetary Monitoring and Reporting	Director of Corporate Finance	✓	✓			
Council Tax	Director, Customer and Exchequer Services	October 2024				

Housing Rents	Director, Customer and Exchequer Services	November 2024				
Mosaic Financial System	Director, Customer and Exchequer Services	✓	✓			
Pensions Administration	Head of Pensions Operations	November 2024				

Audit	Director / Sponsor	Timing / ToR issued	Field work	QA / Reporting	Design	Operational Effectiveness
Service Charges	Director, Customer and Exchequer Services	December 2024				
Suspense Accounts Management	Director of Customer and Exchequer Services	✓ September 2024				
Treasury Management	Chief Investment Officer	✓	✓	✓ Draft 21/08/24		

GOVERNANCE AND ASSURANCE

Contract Management	Assistant Chief Executive	January 2025				
Corporate Facilities Management	Assistant Chief Executive	✓	✓			
Information Requests	Assistant Chief Executive	✓	✓	Final	Substantial	Limited
Mayor's Office and Expenses	Head of Constitutional Services	✓	✓			
Payroll	Director, People and Organisational Development	January 2025				
Scrutiny	Head of Scrutiny	✓	✓			

Workforce Governance	Chief Executive / Assistant Chief Executive	December 2024				
HOUSING DIRECTORATE						
APEX Asset Management System	Director, Asset Management	TBC				
Asset Management Statutory Compliance	Strategic Director, Housing	✓	✓	Draft 15/08/24		
Engineering Services	Director, Asset Management	TBC				
Housing Applications and Allocations	Director, Resident Services	December 2024				
Audit	Director / Sponsor	Timing / ToR issued	Field work	QA / Reporting	Design	Operational Effectiveness
Temporary Accommodation	Director, Resident Services	February 2025				
TMO - Cooper Close	Director, Resident Services	✓	✓	Final	Limited	Limited
TMO - Falcon Point	Director, Resident Services	✓	✓	Final	Moderate	Moderate
TMO - Gloucester Grove	Director, Resident Services	✓ September 2024				
TMO - Two Towers	Director, Resident Services	✓	✓			
IT AND SHARED SERVICES AUDITS						
Change Management	Chief Digital & Technology Officer	September 2024				
Incident Management	Chief Digital & Technology Officer	September 2024				

STS Financial Management	Chief Digital & Technology Officer	✓	✓			
Cyber Security Controls over Supply Chain	Chief Digital & Technology Officer	December 2024				
STRATEGY AND COMMUNITIES						
Communications and Media	Assistant Chief Executive	November 2024				
Emergency Planning and Resilience	Assistant Chief Executive & Emergency Planning & Resilience	✓	✓			
People Power Innovation Fund - Governance Framework	Assistant Chief Executive, Strategies and Communities	✓	✓	Final	N/A - Advisory	
Southwark 2030 and strategic planning	Assistant Chief Executive	December 2024				

4. SCHOOLS INTERNAL AUDIT PROGRAMME

School	Status	Design	Operational Effectiveness
2023-24			
Alfred Salter Primary School	Draft Report 02/04/2024	Moderate	Moderate
Comber Grove Primary School	Draft Report 12/04/2024	Moderate	Limited
Victory School	Draft Report 16/05/24	Substantial	Moderate
2024-25			
Goodrich Primary School	Final Report to be issued after the Summer break		
Heber Primary School	Draft Report 17/07/24 - response received, further evidence is being reviewed		
Boutcher Church of England Primary School	Draft Report 01/08/24		

Bessemer Grange Primary School	Fieldwork completed		
Bird In Bush School	Fieldwork completed		
Highshore School	Fieldwork completed		
St Thomas the Apostle School and Sixth Form College	Fieldwork completed		
The Cathedral School of St Saviour and St Mary Overie	Fieldwork completed		
John Ruskin Primary School	November 2024		
Nell Gwynn	November 2024		
St Francis's RC Primary School	November 2024		
St John's and St Clement's Church of England Primary School	December 2024		
St John's Roman Catholic Primary School (3669)	December 2024		
St Joseph's Catholic Infants School	December 2024		
St Joseph's Catholic Primary School, Gomm Road	January 2025		
St Saviour's and St Olave's Church of England School	January 2025		

5. FINAL REPORTS - EXECUTIVE SUMMARIES

Accounts Receivable and Debt Management

LEVEL OF ASSURANCE

MODERATE

MODERATE

RECOMMENDATIONS

High - Medium
4
Low 3

Purpose of review: to provide assurance over the adequacy of and compliance with controls in respect of accounts receivable and debt management.

Added value: we completed a series of data analytics to assess the effectiveness of the debt management arrangements at the Council. We did not identify areas of concern such as duplicate or incomplete records. We raised concerns over increases in the level of debt (see below).

Areas of strength:

- From our review of a sample of 20 invoices we confirmed that the Council accurately recorded the amount and issued the invoices to the correct customer within the prescribed timeframes.
- We found that the Council’s guidance notes and corporate write off policy guidance set out a detailed framework. From our review of a sample of 20 invoice write offs we confirmed that the policy had been followed, documentation retained, the value amount matched the original invoice, appropriate authorisation was recorded, and customer details were documented.
- We reviewed the Council’s process documentation and supporting guidance for how to use the new system Bottomline PT-X and found that the Council have supplied staff members with clear documentation for those responsible for the input into the dataset and reports.
- We confirmed via a review of six months of the Council’s Corporate Debt Monitor that the Corporate Debt Monitor is being produced monthly. Additionally, we found the FC&P team brings to the attention of relevant departments their respective debt provisions.

Main areas of concern:

- The Council has an abundance of overarching AR policies and processes; however we found an absence of a central source document. Departments should have in place local procedures, however we found that one did not have any procedures in place.
- Council policy and guidelines mandate an audit trail for refund requests to be processed in SAP, including authorised credit/refund forms. Our review of a sample of 20 credit notes identified exceptions in 12 cases: seven lacked signatures from requestors and authorisers, three lacked the authorisers signature and two lacked the requestor’s signature. Four of these credits / refund values were significant, ranging from £112k to £350k in value.
- Our review of a sample of 20 changes to existing customer accounts to assess change controls for maintaining data integrity, we found that ten transactions lacked the required approval for changes to be made to base data such as bank accounts, increasing the risk of bank mandate and payment fraud. In ten cases, the amendment form was missing but an email confirmation authorised the change and in three cases, there was no email thread or approval trail retained.
- Through our review of the Council’s processes for monitoring debts, recovery of debts and bad debt provisions, the FC&P and Finance team highlighted a lack of visibility over bad debt provisions to ensure consistency and visibility across departments at the Council. The Council’s bad debt provisions are not centrally managed, instead are handled individually within each department. The Chief Accountant highlighted the absence of a general provision for accounts receivable debts and the Accounts Receivable team have concurred that a centralised solution would be more effective.
- The aged debt from 2022-23 brought forward was valued at approximately £98.6 million in comparison to the outstanding debt at 2023-24 valued at approximately £85.2 million. However, we identified the following departments debt had increased: Highways 0.91% (£901k), Finance 1.24% (£1.2m) and MOSAIC 3.65% (£3.5m).

Building Safety

LEVEL OF ASSURANCE	MODERATE	MODERATE	RECOMMENDATIONS	High - Medium
				1
			Low	4

Purpose of review: to provide assurance over both the design and operational effectiveness of controls in place to ensure compliance with the Building Safety Act 2022. The review considered the key changes brought about by the Act and the actions taken or plans in place to address them in relation to higher risk buildings.

Areas of strength:

- The Council is working towards a documented timeline and produces monthly reports to track activities to show when the requirements of the Building Safety Act are to be met. Deliverables have been assigned responsible lead officers and progress is monitored using a RAG rating and reported at an Operational Group meeting. The Housing Board and CMT provide an additional layer of scrutiny and review the monitoring reports on a bi-monthly basis. Three KPIs are actively monitored. Additionally officers have introduced a new system called Risk Flag to enhance overall scrutiny of the completion of building safety case reports.
- The Council uses various systems (Apex, Northgate, Sharepoint) to record information relating to higher risk properties. A new database, True Compliance, is to be implemented to enhance the monitoring arrangements and maintain a golden thread of information in one location.
- The Council's list of Council-owned residential buildings identifies 187 higher risk buildings falling within the remit of the Building Safety Act 2022. For a sample of 15, we confirmed that all had a responsible officer assigned and had been registered with the Building Safety Regulator.
- There is a Council-wide system in place to investigate any complaints as stipulated by the Act.
- The Council has worked with the regulator and created a sub group with a number of representatives from other London Councils and Housing Associations. The Council has formulated an overall engagement strategy and analysed and incorporated feedback from residents. The Council has also partnered with the London Fire Brigade and the Council's Repairs Service to hold event days at various locations to engage further with different estates. The Council has built a new web page - Building Safety Programme - Common Place, which is a site dedicated to building safety. We confirmed that the Council had engaged with residents of each of our sample of 15 higher-risk buildings.

Main areas of concern:

- Our testing of 15 building safety case reports showed they were all still in draft and did not incorporate all of the elements recommended by the regulator.
- As of January 2024, the Council had missed two out of three of its key performance indicators: Target 1 (% of Surveys of the Building Safety Programme plan completed) - 57% (target was to complete 100%), Target 3 (% of Safety Cases of the Building Safety Programme completed - 75% (target was to complete 100%).
- The Council has a suite of documented procedures. However, the Southwark Building and Fire Safety Policy was still in draft and did not have an approval date or owner.
- We surveyed 25 members of staff and received 15 responses. One officer stated they had not received training on the Building Safety Act 2022 and was not confident they understood the requirements of the Act and how it affects their role.
- The Council publishes a list of higher risk buildings on its website. This list details 174 properties, however Council records show there are 187 properties, therefore the online list needs updating.

Capital Expenditure Management - Housing Revenue Account

LEVEL OF ASSURANCE	MODERATE	MODERATE	RECOMMENDATIONS
			High - Medium 2 Low -
<p>Purpose of review: to provide assurance on the adequacy of the design and operational effectiveness of Capital Expenditure Management for the Housing Revenue Account. The audit purpose was not to focus on capital project delivery management but rather Capital Expenditure (budget) Management.</p>			
<p>Areas of strength:</p> <ul style="list-style-type: none"> • Portfolio holders: For a sample of HRA schemes (Appendix I) our testing confirmed that capital projects are assigned to individual project teams, in line with their responsibilities, experience, and qualifications. This is demonstrated in the Asset Management month 8 forecast review report and Cashflow month 7. • Capital expenditure policies and procedural guidance: These are documented and readily available to staff on the intranet, however, our review identified an area of improvement. • Budget monitoring and reporting: Capital projects are monitored and scrutinised on an ongoing basis. This is occurring while the Council is undertaking detailed work to prioritise and reprofile the HIP and HRA in order to achieve best value and ensure long-term financial sustainability of the capital programme. Capital Expenditure (HRA) monitoring is reported to Cabinet as part of the month 4 and 8 budget monitoring and the outturn reports. <p>Main areas of concern:</p> <ul style="list-style-type: none"> • From an internal control perspective, there is generally a sound system of governance and internal control designed to achieve the capital expenditure (Housing Revenue Account) objectives. We made recommendations to improve the governance framework relating to mandate that the Strategic Director of Housing seeks an initial agreement from the Strategic Director of Finance to proceed with any new capital expenditure based on an initial scheme estimate, and appraisal and prioritisation of the available resources. In addition, the overarching Housing Asset Management Strategy covering the period 2016-17 to 2023-24 setting out how the Council intends to manage its property assets to support HRA business plan objectives was found to be a draft document. • However, the (primarily inflationary and interest rate increase) costs associated with delivery slippage in the new homes programme and asset management programme have impacted upon the ability of the Council to deliver the programme within its original approved budgets. The HRA budget for 2023-24 was £313m. The year end forecast reported to the HRA Budget Recovery Board (HRABRB) on 25 January 2024 was £352m. We were informed that the changes in forecast were due mainly to forecast corrections, and adjustments due to slippage in the new homes programme and asset management programme. A detailed HRA business recovery plan was presented to the HRABRB for approval on 25 January 2024. • The uncertainties for the medium and long-term sustainability of the Council's budget, and a trend towards increasing overspending - including the Housing Revenue Account (HRA) deficit - were acknowledged in the LGA Corporate Peer Challenge, as reported to the Audit, Governance and Standards (AGS) Committee in February 2024. The Council's external auditors also reported the gap between the forecast capital spending and current available funding in its updated annual report for 2021-22, also reported to the AGS Committee. • While there are acknowledged and significant budgetary pressures on the HRA capital expenditure programme, the Council is taking proactive measures to address them, primarily through the establishment of a budget recovery board. This mechanism has proven successful in the past with regards to other areas of budget pressure. Given that the Council is taking action to address the budget concerns and performance, we did not raise a specific recommendation. 			

Council Delivery Plan

LEVEL OF ASSURANCE

MODERATE

MODERATE

RECOMMENDATIONS

High - Medium
2
Low -

Purpose of review: to provide assurance on the adequacy of the plans underpinning the Council Delivery Plan, and the governance and reporting arrangements relating to its delivery.

Areas of strength:

- We confirmed through review of evidence provided that the Plan was informed by large scale research and consultation, which included “Understanding Southwark”, research commissioned by the Council with Social Life; “Life after COVID”, research in partnership with The Social Innovation Partnership (TSIP), “Survey of Londoners” carried out by Ipsos Mori for London Councils. As a direct result of this work, the Council developed 62 objectives within the Plan, under which there are over 150 commitments, all of which were informed by what residents told the Council.
- We found the Delivery Plan is available to residents and other stakeholders via the Council’s website has been communicated to key staff.
- We found the tools used to monitor completion of the Delivery Plan to be effective. The Council has recently introduced a dashboard through which updates are requested and monitored. The Council uses a RAG rated system to show progress towards completing the Plan. The dashboard is an improvement on the previous monitoring system used which was an Excel spreadsheet.
- We confirmed updates regarding the Delivery Plan deliverables are regularly requested from lead officers and responses are monitored using the dashboard. We received evidence that quarterly reports are submitted to CMT. There is a clear six stage reporting timetable in place for each quarter, which has been communicated to officers, which covers requests for updates, departmental review and sign off by lead officers and reporting to CMT, Cabinet Members and sign off by Lead Cabinet Member, Performance Member and Leader.
- We consider there to be adequate resource/resilience to manage the oversight of the Plan. This area was identified as a risk during the scoping of the audit. However, the team used to monitor the Delivery Plan was increased by three officers in September 2023, during fieldwork, to provide additional resilience and resource. The monitoring of the Delivery Plan has also been enhanced with the introduction of the new monitoring dashboard which helps mitigate the risk.
- Officers responsible for monitoring the plan confirmed it is on track to be delivered. The latest report from the monitoring dashboard, covering the four years of the plan, shows 32.12% of metrics are complete, 56.58% are not yet due, 8.62% are overdue and 2.68% are not reported. Anything marked as overdue is rated as amber or red in the reporting quarter so this can be monitored and followed up.

Main areas of concern:

- We sought to test a sample of theme objectives from the Delivery Plan to confirm underlying plans exist and that there is regular communication between the lead officer and the Cabinet Member. We chose one area under each Strategic Director (six in total) and requested supporting evidence. We received limited engagement and therefore could not provide full assurance in this area.
- We received a report from the monitoring dashboard showing the progress of the Plan. The report classified the metrics as complete, overdue, not yet due and not reported. Officers explained that any overdue metric that is subsequently completed should be classified as completed late, however this classification is not being used by officers as it was not understood.

Housing Benefits and Council Tax Reduction Scheme

LEVEL OF ASSURANCE	SUBSTANTIAL	MODERATE	RECOMMENDATIONS	High	- Medium
				Low	1

Purpose of review: to provide assurance on the continuing adequacy of and compliance with controls in respect of housing benefits and more recently, universal credits.

Added value: we completed a series of data analytics to confirm that records contained all necessary information, the validity of large overpayments or write-offs recorded on accounts, whether any duplicate benefits payments were being made to the same applicant and appropriateness of different applicants with the same bank details. This exercise did not reveal any issues.

Areas of strength:

- The benefits system was accurately configured with the latest 2023-24 statutory allowances and rates according to the latest DWP guidance, and the latest approved discounts under the local Council Tax Support Scheme. Tests and live reconciliations had been undertaken on the updated parameters. All tests and live reconciliations have been signed off by the Benefits Manager.
- The Council had adopted the latest practice on income and capital disregards issued by the DWP on 29 January 2024.
- Through sample testing we confirmed that:
 - all users were current staff in the Council, user access to data in relation to Housing Benefits and local Council Tax Support applications was appropriate to the relevant roles of staff.
 - sufficient documentary evidence was obtained when assessing new Housing Benefit applications. Appropriate exemptions, based on documentary evidence, were granted where the applicants were vulnerable.
 - overpayment invoices were raised where applicable, and the others were recovered from the ongoing benefits.
 - bank detail changes were processed only when sufficient supporting documentation was provided. Changes were correctly updated on Northgate, and sufficient notes were attached to explain the change that had been made.
 - once notification of universal credit application was received from the DWP, an appropriate reaction was made in a timely basis. Notification was correctly processed on Northgate within 7 days, meeting the Council's target.
 - proformas with detailed reasons and explanations were provided for requesting write-offs. Appropriate authorisations were given for each write-off. Segregation of duty was evidenced.
 - each manual adjustment, a fully completed and authorised proforma was retained in the Council's image system.

Main areas of concern:

- We sought to test a sample of theme objectives from the Delivery Plan to confirm underlying plans exist and that there is regular communication between the lead officer and the Cabinet Member. We chose one area under each Strategic Director (six in total) and requested supporting evidence. We received limited engagement and therefore could not provide full assurance in this area.
- We received a report from the monitoring dashboard showing the progress of the Plan. The report classified the metrics as complete, overdue, not yet due and not reported. Officers explained that any overdue metric that is subsequently completed should be classified as completed late, however this classification is not being used by officers as it was not understood.

ICS / ICB Partnership Governance

LEVEL OF ASSURANCE

SUBSTANTIAL

MODERATE

RECOMMENDATIONS

High	Medium
1	1
Low	1

Purpose of review: to provide assurance on the adequacy and effectiveness of the Council's role regarding the governance arrangements in place for the Integrated Care System, such that it was meeting its responsibilities to support effective partnership working.

Added value: We compared Southwark Council's practices in their integration with the ICS arrangements for four other Partnerships across London.

Areas of strength:

- We reviewed the key strategies of the Health and Wellbeing Board, Southwark Partnership, South East London Integrated Care Partnership, and the Integrated Care Board, and confirmed that the objectives and responsibilities detailed in the various strategies were consistent.
- The Terms of Reference (ToR) for the Boards and Groups related to the Council's collaboration with the ICS clearly define the roles and responsibilities of these groups and the contents of meetings and actions performed by these groups were consistent with these.
- The Health and Wellbeing Board has met its statutory duty of producing a Joint Health and Wellbeing Strategy (JHWS), Joint Strategic Needs Assessment (JSNA), performing an oversight and monitoring role over the delivery of the JHWS.
- The Council had agreed the governance and financial delegation arrangements between the SEL ICB and Southwark Partnership and produced an assessment/documentation of changes to the constitution following the Bill.
- The Council performs routine monitoring of its budget through the BCF planning group and Partnership Southwark Strategic Board (PSSB), which considers finance updates and forecasts, with appropriate actions taken where necessary.
- The Health and Wellbeing Board monitors the delivery of the JHWS through JSNAs (last performed in October 2023) and progress reports (last reported in November 2023). We found that good progress was being made against the actions agreed in the JHWS. We confirmed that appropriate plans and actions have been developed in areas where further work is needed.

Main areas of concern:

- We identified a disparity in the information shared between the Council, ICB, and other members of the Partnership. The Council is not provided with performance or budget updates from other members of the Partnership, leaving them unable to foresee and adjust their budgets or plans accordingly. The Health and Wellbeing Board does not have a Borough Level Outcomes Framework in place, despite the JHWS mentioning that the Board would use this framework to monitor delivery. These areas undermine the Council's ability to meet its responsibilities to support effective partnership working.
- In terms of financial management:
 - The final outturn position reported for the year 2023-24 was an overspend of £3.8m. The cost for ICES have increased significantly since the new provider NRS took over from Mediquip in April 2023. Latest data received recently shows that the ICB will be overspent by £1.1m.
 - We acknowledge that the Council has recognised that overspends will need to be managed during 2024-25 and additional resources will need to be made in order to ensure budgets reflect the likely expenditure for 2024-25 considering any efficiency plans. The Council is actively working with partners to manage the budgets with an aim to bring back to a breakeven position.
- Whilst we did not raise any recommendations in this area, it affected our assurance opinion for operational effectiveness.

IT - Cyber Security

LEVEL OF ASSURANCE

MODERATE

LIMITED

RECOMMENDATIONS

High	4
Medium	4
Low	1

Purpose of review: to provide assurance on whether adequate procedures are in place to protect the Council's IT systems, services, and information against a cyberattack. Our work was designed to provide an assessment of the information and cyber security arrangements that are in place but have not provided absolute assurance that the Council would withstand an attack of its systems.

Areas of strength:

- An appropriately detailed network diagram is in place to show a detailed layout of the IT infrastructure within STS remit. There was an STS Cyber update reported by the Managing Director of STS at the November 2023 Joint Committee.
- There is a Vulnerability and penetration testing policy from January 2023 to outline the guidelines and procedures for conducting vulnerability and penetrative testing on all Council systems and networks. The Council's internal and external penetration test was performed by a third-party vendor in March 2023 and action plans have been developed to address the weaknesses identified. The Qualys application has been deployed to scan the Council's network for internal vulnerabilities on a quarterly basis and after any significant change in the network.
- STS has a documented patch management policy in place which was last reviewed in October 2023. There are six servers that are running on Windows 2008 unsupported operating system however, these are hosted in Azure cloud and are receiving extended support. Patch management updates are reported monthly at the Operational Management Group, exceptions made will depend on the scenario, for instance, if a zero-day vulnerability arises, they then take the decision to send out updates around those patches more regularly.
- There are appropriate information and network policies drawn for STS and Partner Councils to form a cornerstone of effective cybersecurity arrangements and these are reviewed on a regular basis. There is another suite of IT policies that have been allocated to each Partner Council to develop and share with the STS Partnership for implementation to ensure that all members of the STS Partnership are aligned in their approach to cyber security.

Main areas of concern:

- Whilst a Cyber incident response policy is in place, the policy lacks specific critical elements including the frequency at which testing exercises should be conducted to ensure the plan's effectiveness and identifying the members of the Incident Response Team along with the roles and responsibilities.
- The Council lacks a formally documented cyber security policy to form a foundational element for the Council's overall security posture, ensuring the protection of assets, compliance with regulations, and the trust of customers and partners.

IT - Hardware Asset Management

LEVEL OF ASSURANCE	MODERATE	LIMITED	RECOMMENDATIONS	High	1
				Medium	2
				Low	-

Purpose of review: to provide assurance that the Council has maintained a full and complete hardware asset register for IT equipment. The audit also assessed whether the lifecycle of hardware, including phones, tablets and laptops/PCs has been considered in the IT Strategy and decision-making regarding replacement equipment is future focused.

Areas of strength:

- The IT Hardware Asset Management Policy (dated November 2023) covers all three Councils included in the shared technology service (Brent, Lewisham and Southwark). The policy is owned by the STS Head of Strategy & Technology and reviewed on an annual basis, with change approval from the Operational Management Group (OMG).
- Directives are clear what steps must be taken should an asset be lost or stolen, and the responsibilities of Line Managers is also clearly defined and unambiguous. The disposal of assets process is also clear and contains guidance that is easily referenceable.
- Information about all relevant IT assets is held in the Asset Register, which is maintained by STS enabling assets to be tracked, managed and updated throughout their lifecycle.
- STS are currently engaged on a sizeable project to migrate laptops to a new Microsoft Office365/Windows 11 environment. It is good to see proactive action being taken to get ahead of the curve for when Windows 10 goes out of support by Microsoft in 2025. Full migration ahead of that time may reduce the need to purchase costly extended support agreements.
- The Council is part of a "London Device Bank" agreement with a registered charity called the Good Things Foundation, which aims to give access to digital services/hardware/knowledge/skills to people and communities who do not have access to computers/the internet.

Main areas of concern:

- The Data Destruction Certificates from the disposal company do not match the IT Asset Register, as they lack common identifiers. The register shows 58 laptops marked as "Assessing" for several months, with the earliest cases dating back to February 2024. Additionally, the naming conventions for assets on the certificates and status reports are inconsistent, preventing cross-verification.
- Two laptops were not retrieved from employees who left the Council, and there was a lack of effort to recover them before they were recorded as "Lost/Stolen". Service Request tickets regarding these laptops were closed without confirming their recovery. The Council needs to enforce stricter measures for equipment return upon employee departure, and Line Managers should be reminded of their duty to recover such assets.
- The January 2024 OMG report noted 597 laptops hadn't connected to the Council's network in over 90 days. This number increased to 627 in February 2024 and 668 by March 2024. While a lack of network connection does not necessarily mean these laptops are lost or stolen, there is no active effort to verify their status with HR. Moreover, these laptops could miss important security updates, posing a potential risk, so it is crucial to ensure they receive the necessary updates and patches.

IT - Service Review

LEVEL OF ASSURANCE

SUBSTANTIAL

MODERATE

RECOMMENDATIONS

High - Medium

2

Low

-

Purpose of review: to assess the effectiveness and efficiency of STS's adherence to the agreed-upon service levels outlined in the SLAs mentioned within the Inter Authority Agreement.

Areas of strength:

- Schedule 3 of the Inter Authority Agreement (IAA) for the shared delivery of ICT services for Brent, Lewisham, and Southwark Councils clearly outlines specific SLAs (Service Level Agreements) and KPIs (Key Performance Indicators) that must be adhered to.
- Measurable SLAs (Service Level Agreements) are clearly documented and results against KPIs (Key Performance Indicators) is extracted directly from IT Service Management tooling, providing a level of accuracy and confidence in the data.
- These Service Levels are fair, and there are adequate monitoring and reporting mechanisms in place to measure successes as well as seek to identify areas for improvement. Lower priority incident tickets (Priority 3) and request tickets (Priority 4) should remain focus areas as these types of reported incidents make up the bulk of issues received by the Service Desk.
- There are established forums in place to monitor progress (eg, Operational Management Group/Joint Management Board meetings) and focus is applied to past events as well as current incidents, with a mind to identify potential areas for service level improvement and promotion of 'best practice'.
- Regular reporting is produced and management reviews SLA performance in weekly meetings.
- IT team members receive a daily email informing them of tickets that are approaching SLA breach levels. All Priority 1 (high priority) incidents and Priority 0's (incidents where multiple Councils are impacted) are discussed at monthly OMG meetings.

Main areas of concern:

- It was recorded in a previous review in October 2023 that SLAs had not been met for a number of Priority 3 (P3) and Priority 4 (P4) tickets. Although progress has been made, P3 tickets still remain an area that requires attention due to the number being logged, and trending analysis may provide useful information and identify areas for improvement/user
- A third-party company, Risual supports the IT Service Desk across the partner Councils through STS. Ensuring that key data is readily available is essential to measuring performance against published targets, or there is a risk that reported data statistics are not fully encompassing or potentially inaccurate. During discussions it was noted that it is often difficult to get information from Risual about SLAs and wait times / resolution times etc.

Legal Fees (Childrens Services)

LEVEL OF ASSURANCE	MODERATE	MODERATE	RECOMMENDATIONS	High - Medium
				4 -
				Low -

Purpose of review: to review the basis upon which legal fees relating to Childrens Services social care cases are determined, as well as the approval processes and adequacy of management information.

Areas of strength:

- There is a detailed Office Procedures Manual (OPM) which was last reviewed by the Business Manager, Law & Governance and approved by the Head of Law (Communities) in October 2023.
- Annual charge out rates for 2023-24 relating to the Childrens Services social care were determined by the Head of Service / Senior Management Team (SMT) in line with the mediumterm resources strategy.
- All lawyers within Legal Services have a charge out rate for their services. Time recording for fee earners is mandatory in order to produce data about cost and volume of work undertaken for each client. These costs are then recovered through recharges from Childrens Service’s budgets on a quarterly basis. A Trading Account model is used to fund Legal Services. Legal Services provide Childrens Services with direct access to Visualfiles data and spend reports based on client cost centre codes.
- Based upon budget and actuals data provided by the Senior Finance Manager for Children’s Social Care, we can confirm that the overall expenditure for children and families legal costs from 2021-22 to 2023-24 (forecast outturn) has been managed within budget.

Main areas of concern:

- There is no comprehensive workflow or process map for the routine and complex child protection proceedings undertaken for Childrens Services to help mitigate against inappropriate authorisations, potential inefficiencies and inconsistent practices within the legal team. Our review identified that the OPM does not include guidance on the accurate preparation of reliable cost estimates and potential cost estimate discussions or negotiations with Childrens Services or the process and cross-reference to the need to obtain approval of legal costs and disbursements in line with the Scheme of Management. We found several exceptions where records were not maintained to support estimated initial costs and their approval, client care email detailing the initial estimate of costs, and ongoing review of costs.
- There has been a concerted effort by Children and Families and Legal Services in recent years to reduce the use of more expensive external legal resources. This has had a positive effect on Children’s Services total legal costs, leading to underspends since 2021-22. However, internal legal costs have been consistently increasing, and there was a significant increase of £171k (or 11.7%) from 2022-23 to the £1.633m forecasted for 2023-24.
- The reasons for this include a few cases very expensive cases in 2023-24 and duration in court proceedings. The lack of judicial and court room capacity in the Central Family Courts that hear Southwark’s cases causes delays in resolving proceedings within a timely manner. Importantly, decisions on safeguarding and litigation are case specific and driven by the specific needs of the child[ren] and this can result in increased instructions by Children Services to the legal team, which will have an impact on internal legal costs/budgets. In 2022-23, Children Services instructed Legal Services to issue 36 care cases and in 2023-24, 44 care cases. Legal Services continue to work collaboratively with Children Services to monitor internal legal charges to determine whether this increase in demand is a short term phenomenon or more permanent in nature.
- We were informed the existing Trading Account model has been in place for over 20 years and a potential change to Block Charging is being considered as an option for implementation within Legal Services in 2024-25, as well as the enhanced use of new technology for task automation.

Leisure Services - Assurance

LEVEL OF ASSURANCE	MODERATE	SUBSTANTIAL	RECOMMENDATIONS	High - Medium
				1 -
				Low -

Purpose of review: to provide assurance on the operational management arrangements and controls in place for the new Council delivered leisure services.

Areas of strength:

- We confirmed that the Council's Leisure Services Delivery Plan was replaced with an approved 2024-25 Business Plan, which presents the overall aims and targets for the leisure centres. Specific quarterly action plans for each leisure centre also outline the responsible officer, actions, objectives and KPIs that are required for each centre. The KPIs cover the following areas: Finance, Human Resources, Attendance, Membership, Equalities, Aquatics, operations, Exercise Referral and Customer Service.
- The Council has documented procedures such as Environmental procedures, Quality procedures and Operations procedures. They are kept and monitored on the Harvard Management System. The procedures are reviewed and approved by two different individuals and dates are kept on the System.
- The Council has reviewed the staffing requirements for each leisure centre and a gap fulfilment strategy was put in place to address the roles and vacancies as well as the roles currently occupied by TUPE employees.
- We confirmed that there is an asset register in place for each leisure centre, which outlines the location, last review date, conditions and serial numbers of the assets.
- For a sample of three leisure centres, (Castle Leisure Centre, Dulwich Leisure Centre and Seven Islands Leisure Centre), we confirmed that the last building condition survey was completed in January 2023. In two instances, a five-year maintenance plan was in place. For one leisure centre, a maintenance plan was not in place as it is due to be decommissioned in April 2025, but we were informed that regular compliance and maintenance checks will be performed at the centre.
- We confirmed that the Council's Scheme of Delegation outlined the relevant authorisation and ordering levels of officers. It was being applied consistently with the running of the leisure centres.
- Monthly budget monitoring occurs where variances are addressed, and monthly income reports are sent to the Commercial Manager and the Finance Team.
- Changes to the member fees was proposed by the Environment and Leisure Department. Membership fees were proposed to increase as well as class fees. We reviewed the Record of Decision document and confirmed that the Cabinet approved of the fee changes. We reviewed the Management Capital Reports from September 2023 and December 2023 and confirmed that they were sent to the Division Finance Lead to incorporate into the wider capital monitoring report for the division and the department.
- We confirmed that there is weekly reporting of the Expenditure Report to General Managers and the Leisure Operations Manager. Monthly Budget Monitoring is reported to the Head of Leisure Insourcing which is forwarded to the Division Finance Lead who will incorporate the report into the wider budget monitoring report for the division and department. Additionally, Quarterly Capital Monitoring is updated and reviewed by the Leisure Division Senior Management Team.

Main areas of concern:

- We sampled three leisure centres from a total population of eight and confirmed that in all instances, the risk assessment documents such as fire, gas, electrical installations, are outdated, with the majority completed in 2021 or before. The risk assessments were done prior to the takeover so the Council themselves have not conducted a risk assessment, although this was due for a review in April 2024.

Payroll

LEVEL OF ASSURANCE	MODERATE	MODERATE	RECOMMENDATIONS	High - Medium 4 Low 3
<p>Purpose of review: to provide assurance over the adequacy of and compliance with controls in respect of payroll.</p>				
<p>Added value: we completed a set of data analytics using the payroll standing data for all 5,177 employees, for the following areas: Potential duplicate National Insurance numbers, names and addresses, Potential duplicate bank details and Blank names, birth dates and tax codes. This exercise did not reveal any issues.</p>				
<p>Areas of strength:</p> <ul style="list-style-type: none"> • From testing a sample of two payroll leavers we found these were consistently notified to payroll and subsequently removed from the SAP system the day after their leaving date, and that the forms were accurate. • From testing a sample of five SAP users granted access in the year we found that user access forms were appropriately completed and approved by the delegated authority ensuring adequate segregation of duties is in place. All temporary users are also limited to an access period of three months maximum. • From conducting a walk-through of the SAP systems, we confirmed that parameters such as tax codes and National Insurance thresholds had been populated correctly. A series of control total checks are in place, including BACS, cash, and balancing figure checks. • From testing a sample of one employee who was being paid an acting up allowance, we found that the acting up allowance form was filled in appropriately, approved and the allowance was removed in line with details on the form. • Controls built into the SAP payroll system do not allow duplicate payroll payments to be processed. • All three employees who we interviewed about the merger of the HR and payroll teams highlighted that they found the monthly whole-team meetings useful and that they felt that the team were working better due to being physically together which was supporting the development of better working relationships. <p>Main areas of concern:</p> <ul style="list-style-type: none"> • Through our testing of six overpayments we found that action to recover overpayments is not consistently taken in a timely manner (within a month) whilst payroll await HR decisions. • During our testing of five access forms, we found that the form used to grant access to SAP relied upon manual selection of access categories, this creates a risk that users may accidentally be granted inappropriate access rights. • We spoke to three employees in the payroll team regarding the merger of the HR and Payroll teams, a challenge raised by all three employees was knowing who to contact and who had responsibility over different areas and actions. • Through our sample testing of five advances (payments made to employees prior to the usual pay run, often to rectify underpayments) we found that one of these did not have an advance form completed or other appropriate approval shown. • Our review of contract monitoring with Zalaris found that the actions log was not consistently kept up to date. • From the sample of 10 starters tested, one was found for whom a starter form was not completed until 17 days after their start date. 				

6. SUMMARY OF RECOMMENDATIONS STATUS

Of the 541 high and medium recommendations relating to 2017-18 to 2023-24 that have fallen due to 31 March 2024 (financial year end), we have been able to confirm with reference to evidence that 502 have been fully implemented or superseded.

This result represents an overall implementation rate of 92.8%, which is a significant increase from the 85.6% reported in June 2024. This is largely due to receiving evidence to support the implementation of recommendations, and therefore being able to mark those recommendations as fully implemented.

Several recommendation target dates for 2022-23 audits continue to be revised multiple times, which is preventing a better implementation rate. However, the remaining longstanding recommendations from previous years yet to be fully implemented have reduced in number.

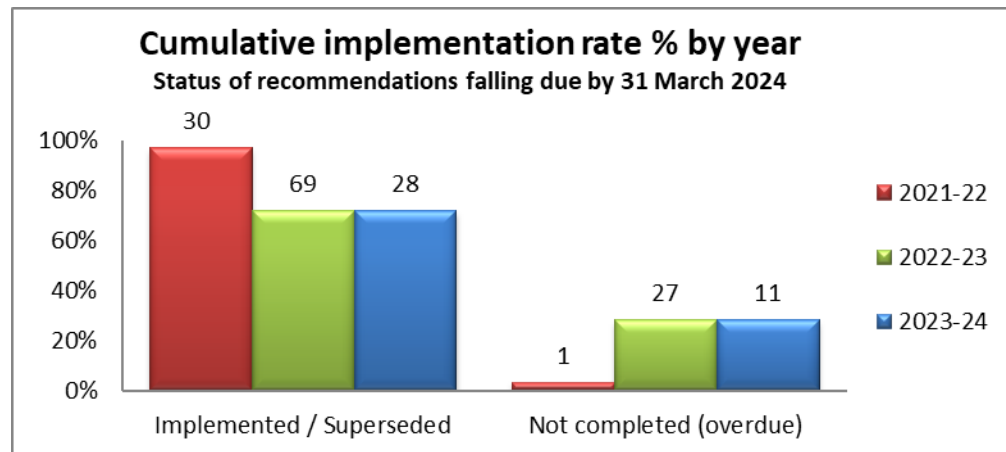
The chart below shows the relative implementation percentages with regards to recommendations raised and due for implementation across the years from 2021-22 to 2023-24.

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.*

For details of recommendations not yet fully implemented, please refer to the supplementary report: Internal Audit Follow Up of Recommendations - Status Update Details.



RECOMMENDATION IMPLEMENTATION RATES BY AUDIT - LONGSTANDING IN PROGRESS

Audit Area	Total H & M	Implemented		In progress		Awaiting update/ evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
Environment, Neighbourhoods and Growth Directorate									
2020-21 South Dock Marina <i>Please refer to latest update in the supplementary report.</i>	1	-	-	-	-	1	-	0%	June 2022 November 2022 March 2023 March 2024 August 2024

RECOMMENDATION IMPLEMENTATION RATES BY AUDIT - NOT YET FULLY COMPLETED

Audit Area	Total H & M	Implemented		In progress		Awaiting update/ evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
Childrens and Adults Directorate									
2022-23 Safeguarding Adults	2	-	-	-	2	-	-	0%	November 2023 January 2024 March 2024 August 2024
2022-23 SEND Finance	7	1	1	3	2	-	-	71%	January 2024 May 2024 August 2024
Environment, Neighbourhoods and Growth Directorate									
2022-23 Cemeteries and Crematoria	4	-	3	-	1	-	-	75%	30 June 2023 December 2023 March 2024 May 2024 August 2024
2022-23 Markets <i>Awaiting evidence to verify implementation</i>	3	-	-	-	-	-	3	0%	September 2023 April 2024 June 2024 July 2024
2022-23 Parking Management and Estates Parking Permits	5	1	-	2	2	-	-	20%	January 2024 March 2024 August 2024
Finance Directorate									





2022-23 Insurance	2	-	-	-	2	-	-	0%	December 2022 July 2023 September 2023 January 2024 March 2024 June 2024 August 2024
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Audit Area	Total H & M	Implemented		In progress		Awaiting update/ evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
Governance and Assurance									
2022-23 Member Officer Protocol <i>Awaiting evidence to verify implementation</i>	2	-	-	-	-	1	1	0%	October 2023 March 2024 June 2024 July 2024
2022-23 Payroll	2	-	1	-	1	-	-	0%	October 2023 March 2024 June 2024 July 2024 December 2024
2022-23 Supplier Resilience	5	1	3	-	1	-	-	80%	August 2023 October 2023 January 2024 October 2024
2023-24 Hospitality and Gifts	3	-	-	-	-	-	3	0%	March 2024 September 2024
2023-24 Overtime Review	3	-	2	-	1	-	-	67%	March 2024 June 2024 December 2024
Housing Directorate									
2022-23 TMO - Brenchley Gardens	8	-	-	7	1	-	-	0%	November 2023 March 2024 September 2024
2023-24 Social Housing White Paper	1	-	-	-	1	-	-	0%	July 2024 March 2025
2023-24 Statutory Disrepairs <i>Awaiting evidence to verify implementation</i>	3	-	1	-	-	-	2	33%	April 2024 July 2024

2023-24 TMO - Haddonhall <i>Awaiting evidence and full update</i>	4	-	1	-	-	-	3	25%	March 2024 September 2024
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APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
 <p>Substantial key risks.</p>	Appropriate procedures and controls in place to mitigate the	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.
 <p>Moderate</p>	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.
 <p>Limited</p>	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.
 <p>No</p>	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.

RECOMMENDATION SIGNIFICANCE DEFINITION

RECOMMENDATION SIGNIFICANCE

High**Medium****Low**

A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.

A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.

Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

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**INTERNAL AUDIT
PROGRESS REPORT:
SUPPLEMENTARY REPORT - FOLLOW UP
STATUS DETAILS**

London Borough of Southwark

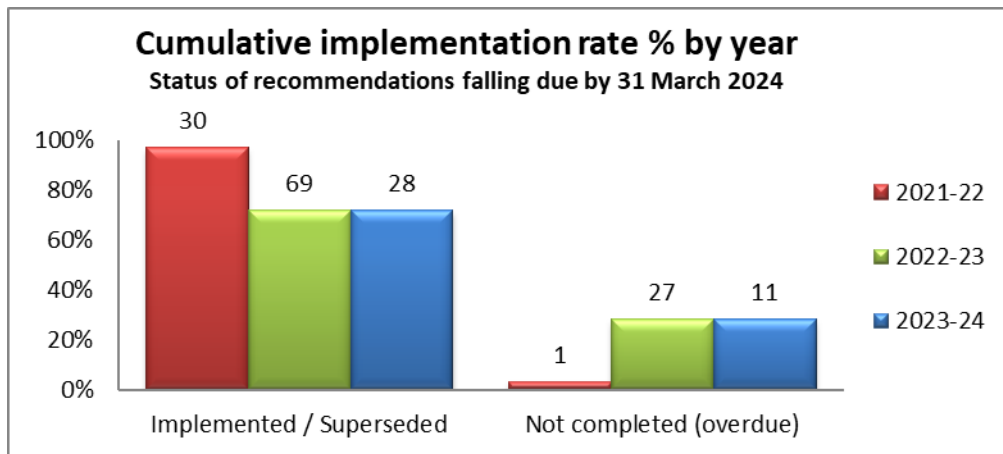
For presentation to the Audit, Governance and
Standards Committee 5 September 2024

INTERNAL AUDIT FOLLOW UP OF RECOMMENDATIONS - STATUS UPDATE DETAILS

As stated in our progress report, of the 541 high and medium recommendations relating to 2017-18 to 2023-24 that have fallen due to 31 March 2024 (financial year end), we have been able to confirm with reference to evidence that 502 have been fully implemented or superseded. This result represents an overall implementation rate of 92.8%, which is a significant increase from the 85.6% reported in June 2024.

Several recommendation target dates for 2022-23 audits continue to be revised multiple times, which is preventing a better implementation rate. However, the remaining longstanding recommendations from previous years yet to be fully implemented have reduced in number.

The chart below shows the relative implementation percentages with regards to recommendations raised and due for implementation across the years from 2021-22 to 2023-24.



The tables overleaf 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. Where the revised date is August 2024, we will follow up implementation ahead of the November 2024 meeting of the Committee.

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
Children's and Adults Directorate		
2022-23 Safeguarding Adults		
<p>1. 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 August 2024</p>	<p>The Principal Social Worker and Strategic Lead for Safeguarding Adults and DoLS advised that the incoming Safeguarding and DoLS team manager joined the Council towards the end of February 2024. They have begun reviewing S42(2) Safeguarding Enquiries that are in excess of the recommended time frames. Part of this review has been to look at the quality of these and recommend training/ improvements. Once this work is complete a quarterly Safeguarding quality audit will be set up. The due date for this action has therefore been revised in discussion with management.</p>
<p>2. 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 August 2024</p>	<p>As above.</p>
2022-23 SEND Finance		
<p>1.1 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>1.2 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>1.3 The consolidation of the data in the Capita system will help to improve the accountability and approval to mitigate the risk of</p>	<p>Assistant Director for SEND</p> <p>January 2024 May 2024 August 2024</p>	<p>We were advised by the Business and Finance manager the following:</p> <p>1.1 - The team was paying on average £500k per week until the end of January 2024. Since February 2024, the Council has paid £1M per week. This is based on SAP data. The Council managed to achieve this thanks to increased capacity.</p> <p>1.2 - The teams process payments on a termly basis. The challenge is that the Council has to work sequentially (process one school at a time). We are going to change this with the DocuSign project because it will allow us to pay schools simultaneously. We now have a DocuSign account and last week completed a training session.</p> <p>1.3 - The SEND team has been using the Capita database for 8 months. This has helped with the consolidation of data.</p> <p>The Council will be completing a post-project review by the end of August 2024 with the project manager that implemented the solution.</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<p>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>2.1 Spot checks should be undertaken on a periodic basis on a sample of cases to confirm that data is accurate on the spreadsheet, the Costing Form and Capita system. Evidence of these checks should be maintained.</p> <p>2.2 Local procedures should be developed to include the maintenance of the spreadsheet and the spot checks. This should be used as a training guide for new officers and a refresher guide for existing officers</p> <p>Medium</p>	<p>Assistant Director for SEND</p> <p>January 2024</p> <p>May 2024</p> <p>August 2024</p>	<p>We were advised by the Business and Finance manager the following updates:</p> <p>The Council has agreed to carry out a post-project review by the end of August with the project manager that implemented the solution.</p> <p>The project manager has agreed to report on the following:</p> <ul style="list-style-type: none"> • Performance Assessment • User Feedback • Benefit Realisation • Issue Identification • Improvements
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 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>Harbour Master</p> <p>June 2022</p> <p>April 2024</p> <p>August 2024</p>	<p>We were advised by the Divisional Business Manager that the Marina Management Software went live on 1 April 2024. All customer records will be held on software. All historic information will be scanned to current customer records. Expected completion of scanning historic data to customer records is June 2024. The due date for this action has therefore been revised in discussion with management.</p>
2022-23 Cemeteries and Crematoria		
<p>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</p> <p>To be followed up in December 2023</p> <p>March 2024</p>	<p>We were advised by the Bereavement Services Manager that this action is 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. Unfortunately, there have been some delays with this and therefore the HLD was still to be reviewed by TDS.</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
	June 2024 August 2024	Therefore, a revised date has been set for this action in discussion with management.
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>	Markets and Street Trading Manager Autumn 2023 January 2024 June 2024 Awaiting evidence	<p>We were advised that these recommendations have been implemented. We are awaiting evidence in support of management's assertions.</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>	Markets and Street Trading Manager Autumn 2023 April 2024 Awaiting evidence	We were advised of the following update that the Online permit application now online as well as renewals. All 2024 licences renewed online. However, we are awaiting evidence.
<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</p>	Markets and Street Trading Manager Autumn 2023 April 2024 Awaiting evidence	<p>We were advised of the following updates:</p> <p>The FGL system has had teething problem. Ongoing discussions to resolve issues and hoping this will be resolved by the end of May. However, we are awaiting evidence.</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<p>not feasible, then these reports should be requested from the Environment & Leisure Finance Team on a monthly basis.</p> <p>Medium</p>		
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</p> <p>December 2023 March 2024</p> <p>Awaiting evidence</p>	<p>We were advised that the recommendation has been implemented however, we are awaiting evidence.</p> <p>The following are the previous updates from January 2024:</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 organizational structure. Further discussions are planned.
<p>2.1 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 supplied must be in the same name and address as the permit application.</p> <p>2.2 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>Head of Customer Operations</p> <p>September 2023 March 2024 August 2024</p>	<p>We were advised of the following updates:</p> <ul style="list-style-type: none"> • Local processes have been revised and will be iteratively revised to accommodate any changes to the Estate Parking application. The policy for Estate Parking requires sign off by the service owner. • The ability to implement changes is predicated on the implementation of the new Imperial parking solution. • The ability of the Contact Centre to triage and process Estate Parking applications effectively is dependent on the availability of adequate resources, as outlined in the audit report. <p>The due date for this action has therefore been revised in discussion</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<p>2.3 Develop a policy and procedure on giving refunds.</p> <p>2.4 The quality monitoring control procedures should include checking for any duplicate permit applications occurring to ensure these are corrected monthly.</p> <p>2.5 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>		with management.
<p>3.1 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.</p> <p>Medium</p>	<p>Area Manager - South /Finance Team</p> <p>November 2023</p> <p>March 2024</p> <p>August 2024</p>	<p>We were advised the of the following, that Finance reported some data was received from EN&G for year-end purposes, however, there is still improvements to be made in this area. Ongoing discussion between Finance and ENG for EN&Gs to complete write off reports for anything over 6 years.</p> <p>The due date for this action has therefore been revised in discussion with management.</p>
Finance Directorate		
2022-23 Insurance		
<p>1. 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.</p> <p>Medium</p>	<p>Corporate Risk and Insurance Manager</p> <p>October 22</p> <p>July 2023</p> <p>September 2023</p> <p>January 2024</p> <p>March 2024</p> <p>June 2024</p> <p>August 2024</p>	<p>We were advised that there is currently no change in the position at this time. The following was the previous update:</p> <p>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.</p> <p>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.</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<p>2. 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.</p> <p>Medium</p>	<p>Corporate Risk and Insurance Manager</p> <p>December 2022</p> <p>June 2023</p> <p>September 2023</p> <p>December 23</p> <p>March 2024</p> <p>June 2024</p> <p>August 2024</p>	<p>We were advised that the Council aims to complete the first round of claims review in June after 6 months of the new system / coding claims. Therefore, a revised date has been set for this action in discussion with management.</p>
Governance and Assurance Directorate		
2022-23 Payroll		
<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>1 October 2023</p> <p>January 2024</p> <p>March 2024</p> <p>December 2024</p>	<p>1. The Head of HR confirmed that this requirement has been incorporated into a wider programme of work to document all payroll processes. This work is underway. The due date for this action has therefore been revised to September 2024.</p> <p>2. Aligned with the above work the Head of HR operations reminded all colleagues in the payroll and transaction teams of the protocol and its application. The work underway to document all payroll processes will be incorporated into induction and training processes for the team, following its completion. The due date for this action has therefore been revised to December 2024.</p> <p>3. A meaningful KPI and reporting framework will be submitted to the Director of People and Organizational Development for approval. The due date for this action has therefore been revised to September 2024.</p>
2022-23 Supplier Resilience		
<p>1. Ensure all contracts include Key Performance Indicators to measure the performance of the supplier.</p> <p>2. Ensure all contract managers regularly monitor performance of the supplier in line with the contract.</p> <p>Medium</p>	<p>Chief Officers / CMT Strategic Director of Finance and Assistance Chief Executive - Governance and Assurance</p> <p>August 2023</p> <p>September 2023</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 and will entail more guidance around KPIs and reporting, as well as planning for future pipeline procurements as part of the preparation for these statutory requirements.</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
	January 2024 March 2024 October 2024	The due date for this action has therefore been revised in discussion with management.
2023-24 - Hospitality and Gifts		
We recommend the environment and leisure log is utilised across all areas detailing all gifts even those that do not breach the threshold. Medium	Director of People and Organisational Development March 2024 September 2024	We were advised by the Director of People and Organisational Development that the format of the Hospitality and Gifts register will be standardised drawing on good practice, including the log historically maintained by the (then named) Environment and Leisure directorate. The due date for this action has therefore been revised in discussion with management.
a) Guidance for staff and the induction process should be updated to confirm that where officers or managers change role within the year that they should complete a declaration of interest if applicable. The induction process should also be updated to include further training on DOIs and gifts and hospitality. Medium	Director of People and Organisational Development March 2024 September 2024	We were advised by the Director of People and Organisational Development that the Guidance for staff has been updated to reflect this requirement and the Induction process is still yet to be updated. The due date for this action has therefore been revised in discussion with management.
a) The officers required to complete declarations of interest should be expanded to include all social workers and agency workers. c) Guidance available to staff in relation to gifts should be updated to include case studies so managers are more easily able to understand obligations with this guidance also including disposal of any gifts. Medium	Director of People and Organisational Development March 2024 March 2025	We were advised by the Director of People and Organisational Development that the Guidance for the following: a) A pilot Declarations of Interest project is underway in Children and Adult services. As part of the pilot, all staff in all roles (including social workers, agency workers and contractors) are required to complete a declaration. The period for declarations to be completed opened on 1 March and will close on 26 April. After this time, the pilot will be evaluated and learnings fed into council-wide changes, which will be introduced the following year. b) Case studies are to be developed. The due date for this action has therefore been revised in discussion with management.
2023-24 - Overtime Review		
3.1 The planned review of the Trade and Craft Agreement 2021 should involve stakeholders from across the Housing directorate,	Director of People and Organisational Development	We were advised by the Director of People and Organisational Development that the planned review of the Trade and Craft Agreement 2021 has not yet begun. The revised target date for completing this review, which will be undertaken via negotiation with trade unions. The

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<p>including the Head of Building Services, to ensure a desirable outcome for all stakeholders. Medium</p>	<p>April 2024 March 2025</p>	<p>due date for this action has therefore been revised in discussion with management.</p>
Housing Directorate		
2022-23 TMO - Brenchley Gardens		
<p>1. 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. High</p> <p>2. 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. High</p> <p>3. 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. The TMO should also review the systems for maintaining records relating to the procurement activity and consider automating the process where possible. High</p> <p>4. 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. 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. High</p>	<p>Estate Manager / Housing Assistant / BGMA Chair December 2023 March 2024 September 2024</p>	<p>The TMI advised us of the following:</p> <ul style="list-style-type: none"> • BGMA operations have been in suspension since September 2023. The TMO office has been closed since that time as the organisation had no employed staff to manage / deliver business objectives / responsibilities; considering this BGMA has not progressed recommendations from the BDO audit. • An interim manager has recently been appointed. • The manager will be attending BGMA committee on 18/4/2024. The manager will also be meeting with the chair and TMO manager on 19/4/2024 to discuss / agree a priority work programme which will include the completion of BDO audit recommendations.

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<p>5. 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>6. 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>7. 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>8. 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>		
2023-24 Social Housing White Paper / Regulation Bill		
<p>1.1 The Council should look to review its allocations policy to ensure it is compliant with current government guidance and any specific requirements of the Social Housing Regulation Bill</p>	<p>Service Development Manager June 2024 March 2025</p>	<p>The Manager advised us on the following: A review of the policy has been completed with a draft policy ready for consultation.</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<p>1.2 The new policy should include a date for future review and assignment of responsibility for updating the policy to ensure that the policy is continually updated.</p> <p>Medium</p>		<p>External guidance has been provided in order to aid in the development of the draft policy with reference to updated government guidance as well as updated legal, social and economic circumstances.</p> <p>Consultation was due to take place in the summer 2024, however due to the elections, a revised timeline has been drafted with dates delayed by a few months. It is anticipated consultation will take place in autumn 2024 leading to a full implementation in early spring 2025.</p>
2023-24 Statutory Disrepairs		
<p>1.1 Acknowledgement of cases should be included in the ICasework actions that require completion.</p> <p>1.2 The list of mandatory items that require completion on ICasework should be reviewed against all the items in the process document to determine if there are any other items that require completion that may be monitored more effectively through becoming a task on ICasework.</p> <p>Medium</p>	<p>Manager April 2024 Awaiting evidence</p>	<p>We were advised that these have been completed therefore, we have requested that evidence of implementation is provided before being marked as complete.</p>
<p>2.1 Where it is not possible to meet timeframes despite the efforts of the Council, the attempts to complete these actions should be recorded.</p> <p>2.2 Time limits of actions and required targets need to be addressed with staff to reaffirm the importance of documenting completion of items.</p> <p>2.3 Managers and senior staff need to actively monitor the completion of tasks to ensure they take place within required timeframes.</p> <p>Medium</p>	<p>Jackie Mulholland April 2024 Awaiting evidence</p>	<p>The Manager advised us on the following:</p> <p>2.1 and 2.2 These are covered through regular reviews by the disrepair manager and team leaders as part of case reviews. Evidence of reviews to be provided at a later date</p> <p>2.3 A senior management report has been generated on the case management Icase to allow full overview of tasks per officer, current compliance is 74%. Evidence to be provided at later date.</p> <p>We were advised that these have been completed therefore, we have requested that evidence of implementation before these can be marked as completed.</p>
2023-24 TMO - Haddonhall		
<p>1. The TMO should ensure that all works order invoices are approved to ensure the procurement process is in line with the TMOs financial procedure that sets out the appropriate authorisers and financial delegations.</p> <p>Medium</p>	<p>Estate Manager, Treasurer and Vice Treasurer Ongoing</p>	<p>The Estate Manager advised us the following:</p> <p>The TMO has accepted & implemented recommendation to comply with TMO policy. A Quarter 4 monitoring visit (end of April / May 2024). The TMI Officer will gather evidence of compliance, invoices for last three goods & service requisitions.</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<p>2.1 All HR policies and procedures should be reviewed and subject to Management Committee approval on an annual basis, to ensure that all specified content remains accurate and up to date.</p> <p>2.2 A performance management or competency framework should be implemented to support the staff in measuring their performance, recognising, and rewarding high performance, supporting staff development, and identifying and addressing under performance.</p> <p>Medium</p>	<p>Estate Manager and Chair 31 March 2024 September 2024</p>	<p>The Estate Manager advised us the following: TMO feedback, "Policy currently in draft. To be presented to the management committee for discussion and approval at their next meeting in May 2024". TMO handbook should include terms & conditions of employment including the performance management framework.</p> <p>The review of all policies & procedures is an on-going project and is a standing item agenda at TMO management committee meetings. A review of all risk & services policies for HR, performance management will be undertaken.</p>
<p>3. Declarations of interests should be completed, signed, and dated by all Committee Members at the earliest opportunity and retained by the TMO.</p> <p>Medium</p>	<p>Estate Manager and Secretary June 2024 September 2024</p>	<p>We are awaiting an update.</p>

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Meeting Name:	Audit, governance and standards committee
Date:	5 September 2024
Report title:	Internal Audit annual report and annual statement of assurance 2023-24, and schools annual summary report 2023-24
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Strategic Director of Finance

RECOMMENDATION

1. That the audit, governance and standards committee note the annual report and annual statement of assurance 2023-24, as attached at Appendix A.
2. That the audit, governance and standards committee note the schools annual summary report 2023-24, as attached at Appendix B.

BACKGROUND INFORMATION

3. These reports detail the work undertaken by internal audit for Southwark Council for 2023-24 and provide an overview of the effectiveness of the controls in place for the full year, and summarise the outcomes of the London Borough of Southwark school audit programme completed during 2023/24 by BDO LLP on behalf of the Council.

Policy framework implications

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

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

Community impact statement

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Further guidance

8. None required.

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

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
None		

APPENDICES

No.	Title
Appendix A	Internal Audit annual report and annual statement of assurance 2023-24
Appendix B	Internal Audit Schools annual summary report 2023-24

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Aaron Winter, Angela Mason-Bell, BDO	
Version	Final	
Dated	23 August 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		23 August 2024

INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE - FINAL

London Borough of Southwark

2023-24

*For presentation to the Audit, Governance and Standards
Committee 5 September 2024*

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SUMMARY OF 2023-24 WORK

INTERNAL AUDIT 2023-24

This report details the work undertaken by internal audit for Southwark Council for 2023-24 and provides an overview of the effectiveness of the controls in place for the full year.

The audits that have been completed during the year are listed below, by directorate.

Childrens and Adult Services

- Care Leavers
- Direct Payments
- Home to School Transport
- ICS / ICB Partnership governance and integration of services
- Legal Fees
- Pupil Registry Systems
- Supporting Families Grant

Environment, Neighbourhoods and Growth

- Estates Cleaning and Grounds Maintenance
- Estates Parking Management
- Leisure Services - Advisory
- Leisure services - Assurance
- Tree Management Services

Finance

- Accounts Receivable and Debt Management
- Capital Expenditure Management - General Fund
- Capital Expenditure Management - Housing Revenue Account
- Cost of Living Fund
- Home Ownership - Garages
- Housing Benefits
- Major Regeneration Programmes and Projects
- Pensions Administration

Governance and Assurance

- IR35
- Payroll
- Records management
- Sickness Absence Management
- Staff Recruitment and Vetting

Housing

- Building Safety
- Housing Adaptations
- Social Housing Act Preparedness
- Southwark Repairs Improvement Plan
- Statutory disrepairs
- TMO - Browning Estate Management Board
- TMO - Haddonhall
- TMO - Kennington Park House Co-operative
- TMO - Fair Community Housing - Objection Review
- Voids

IT and Shared Service

- Cyber Security
- Hardware Asset Management
- Service Review
- Shared Service Governance

Strategy and Communities

- Council Delivery Plan

Our internal audit work for the period from 1 April 2023 to 31 March 2024 was carried out in accordance with the internal audit plan approved by management and the Audit, Governance and Standards Committee. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed.

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

We have summarised the assurance opinions and number of each category of recommendations (High, Medium, and Low) for each audit on pages six and seven.

The internal audit team has also completed the following work in 2023-24:

- Grant audit - Family Hubs and Start for Life - a separate letter of engagement was issued.
- Transparency Reporting - we continued to provide support and challenge to the Council in meeting its obligations for reporting expenditure under the Local Government Transparency Code 2015.

Due to emerging risks and other priorities resulting in alternative reviews or delays in the start date, the following audits and associated reports have been deferred from 2023-24 to 2024-25, or 2025-26 where stated:

Children and Adults Services

- Commissioning of Services

Finance

- Mosaic

Housing

- Contract Management
- Applications and Allocations
- Temporary Accommodation
- TMO - Two Towers Housing Co-operative

Governance and Assurance

- Corporate Facilities Management

Strategy and Communities

- Economic Renewal Strategy
- Equality, diversity, and inclusion maturity assessment (2025-26)
- Planning Applications and S106

We have completed the programme of schools for 2023-24. We are awaiting responses to three draft reports, all other reports have been issued in final. The schools audited in 2023-24 are listed below.

- | | |
|--|--|
| <ul style="list-style-type: none"> • Alfred Salter Primary School (draft) • Bellenden Primary School • Brunswick Park Primary School • Comber Grove Primary School (draft) • Crampton Primary School • Evelina Hospital School • Friars Primary School • Grange Primary School • Hollydale Primary School | <ul style="list-style-type: none"> • Ivydale Primary School • Riverside Primary School • Robert Browning Primary School Rye Oak Primary School • St George's Cathedral RC Primary School • St James Church of England Primary School • Tower Bridge Primary School • Victory School (draft) |
|--|--|

An end of year report summarising the results and common themes arising from our school internal audit programme for 2023-24 is included in our papers to the Committee at the meeting on 5 September 2024.

NON-INTERNAL AUDIT SERVICES PROVIDED BY BDO

The following non audit services have been provided by BDO during 2023-24:

- Risk management support
- Counter fraud support

The counter fraud work was delivered by our Forensics team, which is separate to the Public Sector Internal Audit team that provides internal audit and risk management services to the Council.

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

HEAD OF INTERNAL AUDIT OPINION 2023-24

The role of internal audit is to provide an opinion to the Council, through the Audit, Governance and Standards Committee, on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control, and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period. The basis for forming my opinion is as follows:

Overall, we are able to provide **Moderate Assurance** that there is a sound system of internal controls, designed to meet the Council's objectives, that controls are being applied consistently across various services. In forming our view we have taken into account that:

- In respect of the design of the controls, an opinion of moderate assurance has been provided for 29 out of the 35 assurance audits completed, substantial assurance provided in four areas and limited assurance opinions in two areas. Overall, the Council has maintained its control environment during 2023-24. The relative proportion of substantial assurance opinions provided for the design of the Council's controls has increased from 8% in 2022-23 to 11% in 2023-24.
- In respect of the operational effectiveness of the controls, an opinion of moderate assurance has been provided for 23 of the 35 assurance audits completed, substantial assurance provided in four areas, limited assurance in eight areas. The relative proportion of substantial assurance opinions provided for the operational effectiveness of the Council's controls has increased from 6% in 2022-23 to 11% in 2023-24.
- The relative proportion of high, medium, and low recommendations is consistent with previous years, and management has continued to respond positively to reports issued with adequate action plans to address the risks and issues identified.
- We have confirmed with reference to evidence that 92.8% of recommendations due for implementation by the end of 2023-24 had been completed. This represents an ongoing trend of improvement since 2020-21 when the year-end implementation rate was 79% (an outlier that was affected by the Covid-19 pandemic).
- In respect of school audits and ongoing financial pressures, the Council is taking proactive steps to manage these, and our programme of audits has been aimed at prioritising schools with higher levels of risk.
- In respect of financial performance, the general fund financial performance has been strong in the financial year 2023-24. A balanced outturn position has been achieved. There was pay, energy and inflationary pressures across all Council departments which were successfully mitigated through the Council's budget setting process, use of specific reserves earmarked for that purpose and deployment of planned contingency. The HRA saw an operational overspend of £16.4m, mitigated using £2.5m of reserves and a significantly reduced revenue contribution to the capital programme.

REVIEW OF 2023-24 WORK

The table below summarises the assurance opinions and number of recommendations of audits completed in 2023-24. Detailed findings are reported through the year to the Audit, Governance and Standards Committee in our routine progress reports.

Audit	H	M	L	Design	Operational Effectiveness
Children and Adults Services					
Care Leavers	1	3	-	Moderate	Moderate
Direct Payments	1	5	-	Moderate	Limited
Home to School Transport	2 advisory recommendations			NA - Advisory	NA - Advisory
ICS / ICB Partnership governance	-	1	1	Substantial	Moderate
Legal Fees	-	4	-	Moderate	Moderate
Pupil Registry Systems	-	-	1	Substantial	Substantial
Supporting Families - Grant Audit 2023-24	-	-	-	NA - Grant	NA - Grant
Environment, Neighbourhoods and Growth					
Estates Cleaning and Grounds Maintenance	-	3	1	Moderate	Moderate
Estates Parking Management	2	2	-	Limited	Limited
Leisure Services - Advisory	26 advisory recommendations			NA - Advisory	NA - Advisory
Leisure Services - Assurance	-	3	-	Moderate	Substantial
Tree Management Services	-	4	-	Moderate	Moderate
Finance					
Accounts Receivable and Debt Management	1	3	3	Moderate	Moderate
Capital Expenditure Management - General Fund	-	3	-	Moderate	Moderate
Capital Expenditure Management - Housing Revenue Account	-	2	-	Moderate	Moderate
Cost of Living Fund	-	1	1	Moderate	Substantial
Home Ownership - Garages	-	5	3	Moderate	Limited
Housing Benefits	-	1	1	Substantial	Moderate
Major Regeneration Programmes and Projects	1	-	2	Moderate	Moderate

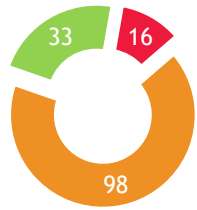
Audit	H	M	L	Design	Operational Effectiveness
Pensions Administration	1	-	-	Moderate	Moderate
Governance and Assurance					
IR35	14 advisory recommendations			NA - Advisory	NA - Advisory
Payroll	-	4	3	Moderate	Moderate
Records management	3	-	1	Moderate	Limited
Sickness Absence Management	-	2	2	Moderate	Moderate
Staff Recruitment and Vetting	-	1	2	Moderate	Substantial
Housing					
Building Safety	-	1	4	Moderate	Moderate
Housing Adaptations	-	2	1	Moderate	Moderate
Social Housing Act Preparedness	-	1	2	Moderate	Substantial
Southwark Repairs - Service Improvement Plan	-	1	1	Moderate	Moderate
Statutory Disrepairs	-	3	1	Moderate	Moderate
TMO - Browning Estate Management Board	2	7	-	Moderate	Limited
TMO - Haddonhall Cooperative	-	4	-	Moderate	Moderate
TMO - Kennington Park House Co-operative	3	3	-	Limited	Limited
TMO - Fair Community Housing Objection	18 advisory recommendations			NA - Advisory	NA - Advisory
Voids	1	1	-	Moderate	Limited
IT and Shared Service					
IT - Cyber Security	3	4	1	Moderate	Limited
IT - Hardware Asset Management	1	2	-	Moderate	Limited
IT - Service Review	-	2	-	Substantial	Moderate
IT - Shared Service Governance	-	2	1	Moderate	Moderate
Strategy and Communities					
Council Delivery Plan	-	2	-	Moderate	Moderate

SUMMARY OF FINDINGS

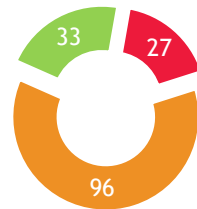
RECOMMENDATIONS AND ASSURANCE DASHBOARD

Recommendations

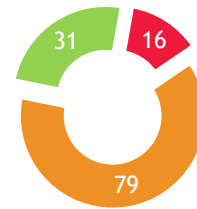
2021-22



2022-23

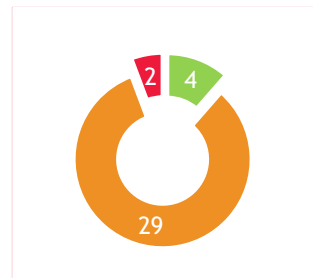
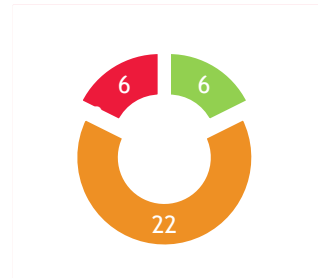
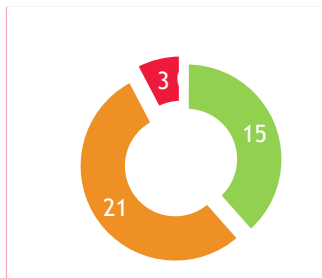


2023-24

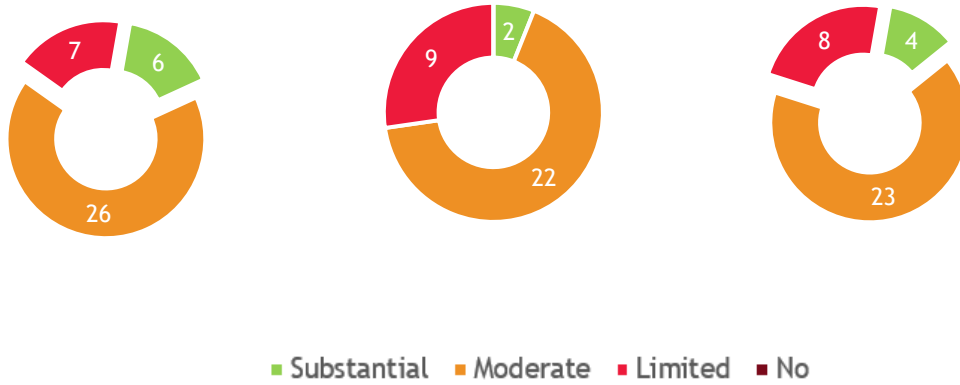


■ High ■ Medium ■ Low

Control Design



Operational Effectiveness

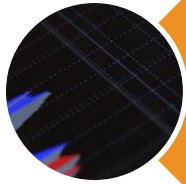


Recommendation Implementation Rate

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

2023-24	93%
2022-23	92%
2021-22	87%
2020-21	79%
2019-20	88%
2018-19	88%

ADDED VALUE



INNOVATION

We utilised data analytics in audits where appropriate (e.g. accounts receivable, housing benefits, payroll, direct payments, tree management). This has highlighted anomalies for the Council to investigate to improve its data and accuracy and completeness of transactions. The IT audits are routinely completed by IT specialists.



RESPONSIVENESS

We have continued to be responsive, in particular completing grant certifications to meet the Council's submissions deadlines, and adapting the plan to emergent risks and priorities.

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



BENCHMARKING AND BEST PRACTICE

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

We undertook benchmarking to compare the Council's practices with other London boroughs or best practice (e.g. Social Housing Act Preparedness, Building Safety).

We identified areas where the Council can improve performance and create efficiencies (e.g. Direct Payments, Care Leavers) or where we were able to offer best practice comparisons (e.g. ICS/ICB Partnership Governance).

KEY RISK AND FINDINGS THEMES



PEOPLE, ROLES AND RESPONSIBILITIES

The Council welcomed our internal audits and provided us with strong levels of time and support during our reviews, whether delivered remotely or in-person. This demonstrates the organisation's positive approach towards internal audit and enhancing internal controls.



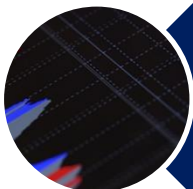
SYSTEMS & PROCESSES, TIMELINESS OF DECISIONS

Governance channels and processes were largely robust, supporting effective monitoring of internal controls.



DATA AND RECORDS, PUBLIC INFORMATION

While strategies and policies were broadly in place, several were not kept up to date and consequently did not reflect the Council's actual arrangements.



GOVERNANCE AND MONITORING / FOLLOW UP

The Council has generally well designed systems in place but processes are not always followed consistently or as expected across directorates.

BACKGROUND TO ANNUAL OPINION

Introduction

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

Our internal audit work for the 12-month period from 1 April 2023 to 31 March 2024 was carried out in accordance with the internal audit plan approved by management and the Audit, Governance and Standards Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

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

Audit Approach

We have reviewed the control policies and procedures employed by London Borough of Southwark to manage risks in business areas identified by management set out in the 2023-24 Internal Audit Annual Plan which has been approved by the Audit, Governance and Standards Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with the Council's management for each review, by:

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

The opinion provided on page 3 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

Reporting Mechanisms and Practices

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

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

Management actions on our recommendations

Management were engaged with the internal audit process and provided considerable time to us during the fieldwork phases of our reviews, in some cases providing audit evidence promptly and allowing the reviews to proceed in a timely manner, including opportunities to discuss findings and recommendations prior to the issue of draft internal audit reports. Management responses to draft reports were mostly within our requested time frame, however, there were some instances where the turnaround of draft reports was slow.

Recommendations Follow-up

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

Relationship with External Audit

All our final reports are available to the external auditors through the Audit, Governance and Standards Committee papers and are available on request. Our files are also available to external audit should they wish to review working papers to place reliance on the work of internal audit. In 2023-24, we completed the advisory review in response to an Accounts objection relating to Fair Community Housing TMO, which supported External Audit's closure of the accounts for 2021-22.

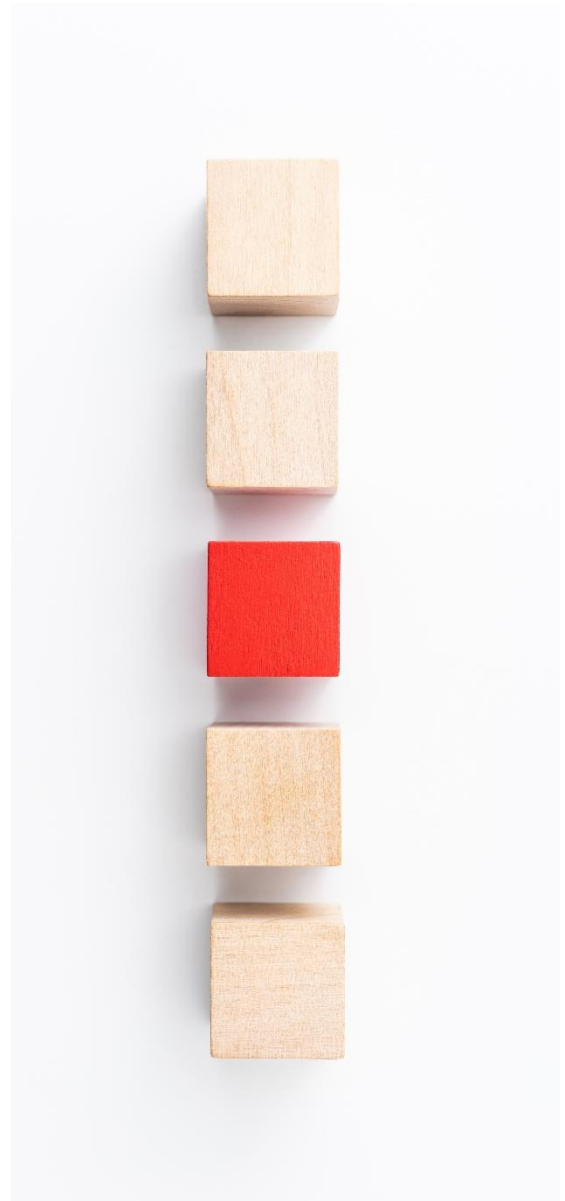
Report by BDO LLP to London Borough of Southwark

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









In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides London Borough of Southwark with **Moderate assurance** that there are no major weaknesses in the internal control system for the areas reviewed in 2023-24. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.




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

- All internal audits undertaken by BDO LLP during 2023-24
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to the London Borough of Southwark
- Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work.



KEY PERFORMANCE INDICATORS





KPI	BDO Comment	RAG Rating
Audit Coverage		
Annual Audit Plan for 2023-24 delivered in line with timetable	As reported above, we have completed the majority of fieldwork, although some audits were not completed by the end of March 2024.	
Actual days are in accordance with Annual Audit Plan - 1,030 days	All days were delivered. Where audits were deferred, these were replaced by alternative advisory or assurance reviews.	
Relationships and customer satisfaction		
Customer satisfaction reports - overall score at average of at least 3.5 / 5 for surveys issued at the end of each audit.	We have received eight survey responses in 2023-24, with an average score of 4.6.	
Annual survey to Audit, Governance and Standards Committee to achieve score of at least 70%.	We will be issuing the survey to the newly constituted Committee in September 2024 now that our work for 2023-24 has been completed.	N/A
External audit can rely on the work undertaken by internal audit (where planned)	In 2023-24, we completed the advisory review in response to an Accounts objection relating to Fair Community Housing TMO, which supported External Audit's closure of the accounts for 2021-22.	
Staffing		
At least 60% input from qualified staff	Delivery of the 2023-24 included 62% input from qualified staff.	
Audit Reporting		
Issuance of draft report within 3 weeks of fieldwork `closing` meeting	There were three cases where reports were issued up to five weeks after the closing meeting, where the quality assurance process fell during a holiday period.	
Finalise internal audit report 1 week after management responses to report are received.	There was one case where the report was issued 11 days after receipt of the management response, where the quality assurance process fell during the Summer holiday period.	
90% recommendations to be accepted by management.	Recommendations are largely accepted as proposed in the closing meeting. We work with management to agree appropriate actions to address the risk if the specific recommendations are not feasible.	

Information is presented in the format requested by the customer.	Where requested (eg this annual report), we have amended our report formats.	
Audit Quality		
High quality documents produced by the auditor that are clear and concise and contain all the information requested - measured within customer satisfaction surveys	We have received eight survey responses as at the end of the year, five providing a rating of five and three providing a rating of four out of five with regards to the quality of our outputs.	
Positive result from any external review	We have not been subject to an external review this year. However, the outcome of the BDO cold review was the highest rating of 1 'Meeting Expectations', with no advisory or improvement points raised.	

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

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

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

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

FOR MORE INFORMATION:**AARON WINTER**

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INTERNAL AUDIT SCHOOLS ANNUAL SUMMARY REPORT

London Borough of Southwark

2023-24

*For presentation to the Audit, Governance and Standards
Committee 5 September 2024*

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SUMMARY OF 2023-24 WORK

1. INTRODUCTION AND BACKGROUND

PURPOSE OF REPORT

This report summarises the outcomes of the London Borough of Southwark school audit programme completed during 2023/24 by BDO LLP on behalf of the Council. It draws together the assurance ratings and number of recommendations made across each risk area, highlights common themes, and compares these to those summarised in the 2022-23 report.

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

APPROACH TO INTERNAL AUDIT OF SCHOOLS

A cyclical plan is followed that aims to complete an internal audit of all schools over a four year period. The programme of audits is agreed with the Director of Children and Families. A programme of 17 schools was completed in 2023/24.

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

The work in 2023-24 followed the same programme as that in 2022-23 and was designed to assess the design and operational effectiveness of the controls in place to mitigate the key risks in seven areas:

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

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

- Testing was performed on a sample basis, selected from transactions processed in the previous 12 months.
- The audit did not assess the adequacy of teaching arrangements at the school.

- In addition, the work of internal audit does not provide any guarantee against material errors, loss, or fraud, nor provide an absolute assurance that material error, loss or fraud do not exist.

RECOMMENDATIONS AND ASSURANCE OPINIONS

Recommendations are rated based on the risks associated with the findings arising from the internal audit work and are linked to controls that are not in place or are not being complied with. Recommendations are rated as High, Medium, or Low priority.

We provide an overall assurance opinion based on the priority and numbers of recommendations.

- The highest opinion is Substantial Assurance - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
- The lowest opinion is No Assurance - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and/or control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

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

2. SCHOOLS AUDITED IN 2023-24

The table below provides the financial context for the year and summarises the recommendations raised, and audit assurance opinions provided for each school audited in 2023-24.

The results of our work highlights that the financial control environment operating in the Borough's schools continue to require strengthening. However, overall there has been year on year improvement, shown by the levels of assurance and number of recommendations raised (see section 3 for more details).

SCHOOL	FINAL REPORT	H	M	L	DESIGN	OPERATIONAL EFFECTIVENESS
Alfred Salter Primary School	Draft	2	5	2	Moderate	Moderate
Bellenden Primary School	May 2024	0	6	1	Moderate	Moderate
Brunswick Park Primary School	April 2024	1	2	5	Moderate	Moderate
Comber Grove Primary School	Draft	3	8	4	Moderate	Limited
Crampton Primary School	May 2024	2	9	4	Moderate	Moderate
Evelina Hospital School	January 2024	0	1	5	Substantial	Moderate
Friars Primary School	June 2024	0	5	6	Moderate	Moderate
Grange Primary School	May 2024	1	3	6	Moderate	Moderate
Hollydale Primary School	April 2024	0	2	5	Substantial	Moderate
Ivydale Primary School	May 2024	2	5	5	Moderate	Moderate
Riverside Primary School	April 2024	1	5	2	Moderate	Moderate
Robert Browning Primary School	May 2024	0	2	2	Substantial	Moderate
Rye Oak Primary School	March 2024	0	3	2	Moderate	Moderate
St George's Cathedral RC Primary School	May 2024	0	4	4	Moderate	Moderate
St James Church of England Primary School	December 2023	0	7	1	Moderate	Moderate
Tower Bridge Primary School	April 2024	0	2	1	Substantial	Moderate
Victory School	Draft	1	3	0	Substantial	Moderate
Totals	-	13	72	55		

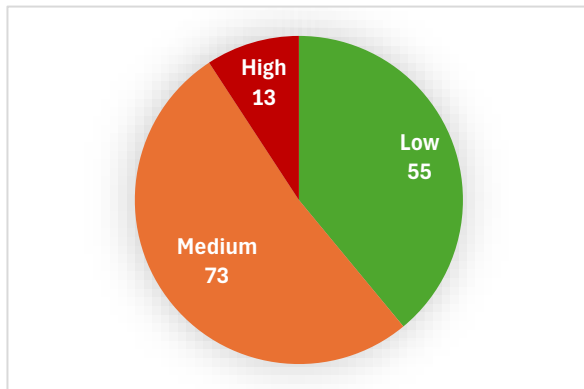
3. SUMMARY OF RECOMMENDATIONS AND ASSURANCE OPINIONS

The summaries of recommendations and assurance opinions for 2023/24 and 2022/23 for comparison purposes are shown in the pie-charts below.

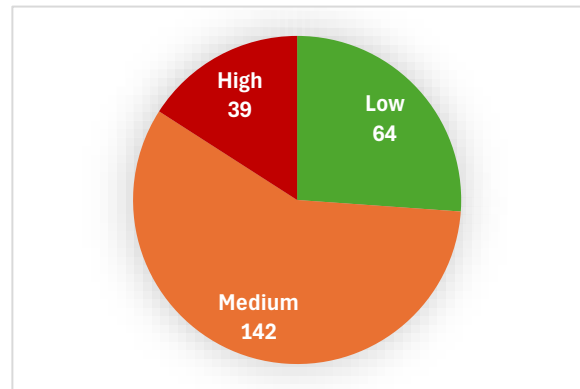
TOTAL NUMBER OF RECOMMENDATIONS

The number of recommendations raised for each priority rating of High, Medium, or Low were as follows:

2023-24



2022-23

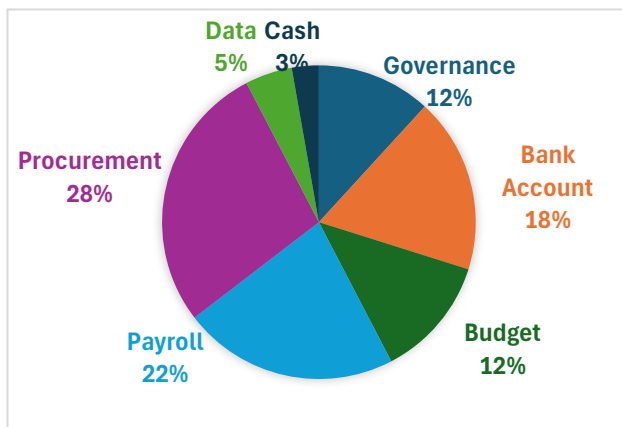


In 2023-24 a total of 141 recommendations were raised across 17 schools. This represents an average of eight recommendations raised per school. This compares to an average number of 12 recommendations made in 2022-23, indicating that schools have improved the control environments in the areas subject to internal audit.

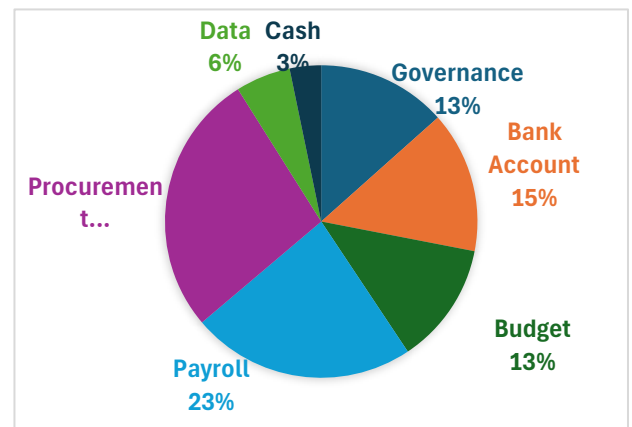
PROPORTION OF TOTAL RECOMMENDATIONS BY RISK AREA

The proportion of recommendations raised in each risk area were as follows:

2023-24



2022-23



As in previous audit cycles, the highest proportion of recommendations continues to be in the areas of Payroll and Procurement, with Budget, Bank Account and Governance also showing similar relative proportions in 2023-24 compared to 2022-23.

ASSURANCE OPINIONS

The percentage of each assurance levels provided to schools during 2023-24 is summarised in the table below:

Overall Design Opinion	Percentage of schools 2023-24	Overall Operational Effectiveness Opinion	Percentage of schools 2023-24
Substantial	29% - 5 schools	Substantial	0%
Moderate	71% - 12 schools	Moderate	94% - 16 schools
Limited	0%	Limited	6% - 1 school
No	0%	No	0%

The percentage of each assurance levels provided to schools during recent previous years, 2019-20 and 2022-23 are summarised in the table below:

Note that due to the impact of Covid-19 on access and working arrangements, no school audits were completed in 2020-21 and our reviews throughout 2021-22 were different to our regular school reviews, focussing on financial management strategy and controls.

Overall Design Opinion	Percentage of schools 2019-20 and 2022-23	Overall Operational Effectiveness Opinion	Percentage of schools 2019-20 and 2022-23
Substantial	15%	Substantial	0%
Moderate	85%	Moderate	74%
Limited	0%	Limited	26%
No	0%	No	0%

The tables above show that the relative proportions across assurance opinions have improved during 2023-24. There were more substantial assurance opinions for the design of the control framework (29% compared to 15%) and fewer limited assurance opinions for the operational effectiveness of the controls in place (6% compared to 26%).

4. COMMON THEMES 2023-24





Area	Number of Recommendations			Common Themes 2023-24
	H	M	L	
Governance Arrangements	-	6	11	<ul style="list-style-type: none"> Key strategic documents, including the Scheme of Delegation, Terms of Reference and Financial Procedures Manual were all in place, however, in several cases they were not up to date with evidence of regular review by the Governing Body. In several schools, the Financial Procedures Manual and the Scheme of Delegation did not reconcile. In some cases, key information such as the procurement card limits, and up-to-date bank mandate signatories were not included in the Financial Procedure or Scheme of Delegation. There were instances where Declaration of Interests was not a standing item in the Governing Body meeting, and evidence of the Governing Body and sub-committee meeting minutes being approved by the appropriate Chair was not available.
Bank account	-	12	14	<ul style="list-style-type: none"> Bank reconciliations had not been signed by both the individual performing the reconciliation and the individual conducting the independent review to evidence segregation of duties. In some cases, the Bank mandate signatories were not in line with the Scheme of Delegation. In many instances, Direct Debit mandates were not signed and retained, were only signed by one signatory, or were signed by non-current staff.
Budgeting	3	11	4	<ul style="list-style-type: none"> In many schools, cashflow forecasting was not undertaken. In some instances, the annual budget was approved after the Council's deadline. In some instances, the approval of variations against the annual budget plan was not evidenced adequately in minutes of meetings.
Payroll and pensions	1	15	14	<ul style="list-style-type: none"> Employee personnel files were not always obtained / retained, such as starter forms, signed contracts, letters of appointment, and up-to-date salary information. Leaver forms and other relevant documentation were not always held on file in respect of leavers.

				<ul style="list-style-type: none"> • In some cases, the overtime form was not signed and approved. • Payroll reconciliations were undertaken in all schools. However, in many cases, there was no evidence of who performed the reconciliation and the independent review.
Procurement	8	23	8	<ul style="list-style-type: none"> • Purchase orders were not always raised for all appropriate purchases and authorised in accordance with the Financial Procedures Manual. In addition, clear segregation of duties was not always evident between the raising of purchase orders and the receipt of goods/services. • Some invoice payments were more than 30 days overdue, and some purchases were not supported by a valid invoice. Some payments were made prior to receiving the invoice. • There was a lack of documentary evidence in some instances that the goods received were checked for accuracy and that delivery documentation was appropriately annotated. • In several instances, for higher level spend, the appropriate number of quotes were not obtained as part of the procurement process and retained on file in line with the School's Financial Procedures.
Data security	-	3	4	<ul style="list-style-type: none"> • In some cases, ICT back-up contracts and terms were not retained, or had not been retendered for years. • In several schools, where the back-ups were saved, these were not always secure or fireproofed.
Cash handling	1	2	-	<ul style="list-style-type: none"> • In a few schools, issues were found in the cash handling procedures in place. Cash was collected, reconciled, and deposited by the same officer. There was no receipt book or safe log to record cash collected and reconcile with bank statements.
TOTALS	13	72	55	

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

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

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

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

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Meeting Name:	Audit, governance and standards committee
Date:	5 September 2024
Report title:	Draft 2023/24 statement of accounts for Southwark council
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Strategic Director of Finance

RECOMMENDATION

1. That the Committee notes the draft 2023/24 statement of accounts (appendix B). These will be presented to the committee again later in November alongside the audit opinion for a formal approval, subject to the completion of the 2023-24 audit.

BACKGROUND INFORMATION

2. The publication of the statement of accounts is an essential feature of public accountability and stewardship as it provides an annual financial report on the council’s stewardship of public funds for which it is responsible. The closing of accounts is also important for financial control and management as it confirms the availability of reserves and balances for future use.
3. The draft 2023-24 statement of accounts is subject to external audit. KPMG, the auditors, are required to satisfy themselves that the council’s accounts comply with statutory requirements and that they have been compiled according to proper accounting practices. In addition, they are also required to provide an opinion as to whether the council has arrangements in place for securing economy, efficiency and effectiveness in the use of resources (value for money).
4. Under the constitution, the audit, governance and standards committee formally receives and approves the audited annual statement of accounts. The audited accounts together with the external auditors’ findings report on the accounts are scheduled to be presented to the committee on 13 November 2024, subject to the progress status of audit.

KEY ISSUES FOR CONSIDERATION – Statement of Accounts 2023/24

5. The current Accounts and Audit Regulations 2015 require that the Council must prepare and publish its approved draft and audited accounts by 31 May and 30 September respectively. These should then follow an approval process as detailed in **Appendix A**. However, due to the national backlog of audits, the ministry of housing, communities and local government intend to bring in legislation to amend these statutory deadlines eg the deadline for publishing the 2023-24 audited statement of accounts is expected to be 28 February 2025 and over a four year period it will be brought forward to 30 November by 2027-28. The ministry have also proposed moving the deadline for publication of the draft statement of accounts to 30 June from 2024-25 onwards.
6. It is confirmed that the Strategic Director of Finance, as the Council's Section 151 officer, certified the accounts on 3 July 2024, slightly later than the statutory deadline. This is because the council, like many other local authorities, faced the challenge of catching up with a backlog of unaudited accounts, following the disruption caused by covid-19 virus and changes in the public sector audit market generally. The council prioritised completing the audit of the 2021/22 and 2022/23 accounts, which proved successful as both audits were completed in March 2024, with Southwark now having up-to-date audited accounts, unlike many other councils in London and across England. This also avoided the risk of breaching the "backstop" deadline proposed by central government resulting in the auditors being unable to complete audits for prior year accounts.
7. The current regulations also require that a notice of delay is issued if the 31 May deadline for publication is missed. As such, a notice was published on the council's website stating that the council had to delay publication of the draft 2023/24 statement of accounts due to audit delays for prior year accounts and finalising work on the valuation of assets.
8. The draft accounts were published on the council's website on 4 July 2024, and the period of public inspection commenced on 8 July 2024.
9. The Council's external auditors, KPMG, have commenced their main audit work in July 2024, although some interim work was conducted between January and July. It is currently expected that the audit will be completed by 13 November 2024, well ahead of the new proposed statutory deadline for 2023-24 accounts of 28 February 2025.
10. The audited accounts, together with the external auditor's report, are expected to be presented to members at their November 2024 meeting for scrutiny and approval. The draft accounts are presented to members now to inform and enable early scrutiny of the key figures ahead of the completion of the audit.
11. Matters to draw to the attention of this committee are:

- 11.1. The Statement of Accounts includes the council's main accounting statements, the Housing Revenue Account (HRA), Collection Fund and Pension Fund account. It is a long complex document, with the contents largely determined by statutory requirements and mandatory professional standards as set out within the 'Code of Practice on Local Authority Accounting' and 'Standard of Professional Practice on Financial Reporting' published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIPFA Code of Practice is based on International Financial Reporting Standards (IFRS).
- 11.2. For 2023/24, there are no significant format or contents changes from the 2022/23 document. This is reflected by **Note 2 Accounting Policies** section, which details out the core accounting policies to be applied in drafting the 23/24 accounts by taking account of all the updates from the CIPFA code of practice.
- 11.3. Set out below are the main elements of Statement of Accounts with a brief explanation of the information contained in each element:
- 11.4. **Narrative Report** is an overview of council's performance for the year, from the Strategic Director of Finance. It provides a link between management's budget report and outturn position.
- 11.5. **Movement in Reserves Statement** shows the council's reserve balances; *Usable* reserves increased by £58.4m to £434m and *Unusable* reserves decreased by £38.6m to £4,298m.
- 11.6. Note 12, explains the usable reserve increase (£58.4m) in more detail; £32.3m increase in earmarked reserve is for committed priorities and grant funded projects.
- 11.7. Note 23, explains the unusable reserve decrease (£38.6m), which is mainly due to changes in revaluation reserves.
- 11.8. **Comprehensive Income and Expenditure (CIES)** shows the Council's accounting cost for the year in providing services, including central investment and taxation income, revaluation reserve changes and actuarial pension liability changes. It consists of income and expenditure by department to derive at net accounting cost of services.
- 11.9. This accounting cost is very different to the budgeted cost, which the council monitors on a day-to-day basis, because it includes many non-cash transactions such as depreciation and other technical accounting adjustments.
- 11.10. There are significant variances between 22/23 and 23/24 reported income and expenditure for each of the department, but these are mainly due to technical accounting adjustments (£204.4m in 23/24 compared to £19.6m in 22/23) and explained by note 1, note 7 and

note 11.

- 11.11. Note 1 shows that the budgeted outturn (as reported for resource management) is consistent between the two years.
- 11.12. **Balance Sheet** shows the Council's position, net worth **£4,733m**, as at 31 March 2024. It consists of assets, liabilities and reserves, and notes for each line provides further details behind these balances. Overall council's balances increased by £19.8m, and as explained under MIRS, it is mainly due to addition to earmarked reserves for committed priorities and changes in revaluation reserves. This figure is also the net total on the Comprehensive Income and Expenditure Statement for 2023-24.
- 11.13. **Cash Flow Statement** shows the Council's movements in cash balances by operating, investing and financing activities. Overall, the cash balance decreased by £49.6m, mainly because the Council had a significant planned capital expenditure in 23/24 and planned reduction in the level of cash balances.
- 11.14. **Housing Revenue Account (HRA)** is a separate ring-fenced account showing the expenditure and income relating to the management and maintenance of the Council's social housing stock (36,765 dwellings). This is a supplementary account, which is included in the main account (**CIES**) under the **Housing Revenue Account (HRA)** line. Overall, HRA usable reserve decreased by £2.53m to £16.92m because of continued budget pressures.
- 11.15. **Collection Fund Account** is a separate account detailing the collection and distribution of council tax and business rates income for the year. As a billing authority part of the income is retained by the council with the remainder being paid to Greater London Authority (GLA) and the Government, at an agreed amount and share set at the beginning of the year. The statement shows full council tax and business rates due for the year from taxpayers reported as income, and payments to preceptors for their agreed share as expenditure. Any residual balance is taken into the following year to be charged or redistributed.
- 11.16. **Pension Fund Account** is separate from the rest of the Councils accounts and shows the income (pension contributions and investment returns) and expenditure (pension payments) for the year together with the assets and liabilities of the Pension Fund as at 31 March 2024. Interaction between the Council and the Pension Fund is treated like any third party, i.e. debtors, creditors, etc.
- 11.17. The Fund is audited at the same time as the Council's main accounts but are subject to a separate audit opinion. The Pensions Fund Annual Reports will be considered by the Pensions Committee later in the year.

- 11.18. **Inspection of the accounts by the public**, a six-week inspection period commenced on 8 July and will continue until 16 August, during which the public is able to ask questions on the accounts and request information. Local electors also have the right to raise objections to the Statement of Accounts with the external auditors.

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

Community impact statement

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Consultation

17. Consultation on the draft statement of accounts is carried out through formal public inspection. The accounts is available for public inspection from 8 July 2024 until 16 August 2024.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

18. 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	Approval process
Appendix B	Draft 2023-24 statement of accounts for Southwark council

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Amarjit Uppal, Chief Accountant	
Version	Final	
Dated	12 August 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	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team	12 August 2024	

Appendix A

Approval process

The Statement of Accounts include the Council's main accounting statements, the Housing Revenue Account (HRA), Collection Fund; and any other statements relating to each and every other fund in relation to which the Council is required by any statutory provision to keep a separate account for (such as the Pension Fund).

The Accounts and Audit Regulations 2015 require the council to follow a standard accounts approval process, as detailed below:

- i) no later than the 31 May, the responsible financial officer (Section 151 officer) certifies that the statement of accounts presents a true and fair view of the financial position of the Council and of its income and expenditure for 2023/24. A notice of delay was published on 31 May stating that the council had to delay publication of the draft 2023/24 statement of accounts due to audit delays for prior year accounts and finalising work on the valuation of assets.
- ii) no later than the 30 September; the:
 - responsible financial officer re-certifies the presentation of the annual accounts before member approval is given,
 - annual accounts are considered and approved by resolution of members and ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval was given.
 - publish (which must include publication on the body's website) the statement of accounts together with any certificate, opinion, or report issued, given or made by the audit.

STATEMENT OF ACCOUNTS

2023/24

UNAUDITED VERSION

Clive Palfreyman
Strategic Director of Finance
3 July 2024

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SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

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Narrative Report 2023/24



Introduction

This narrative report provides information about Southwark Council, focusing on the main issues affecting the borough and presenting key information from its statement of accounts for the period 2023/24. It complies with Regulation 8 of the Accounts and Audit Regulations 2015 which requires that the statement includes a comment on the council's financial performance and the economy, efficiency, and effectiveness of the use of its resources in 2023/24.

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

Southwark: An Introduction

Southwark is a dynamic borough in the centre of London, a truly global city. It is home to some of the country's foremost artistic institutions, most vibrant communities, and iconic architecture. This brings change, challenges, and opportunity to all those who work here, pass through, or call Southwark their home. Our ability to develop, transform and renew the borough landscape helps to drive local growth.

There is a vibrant cultural and arts scene boasting some of the nation's cherished theatres including Shakespeare's Globe, the Bridge Theatre and the Unicorn Theatre. The historical Borough Market is nestled in Dickensian cobbled streets, under the shadow of London's tallest building, The Shard. Bankside on the River Thames plays host to the Tate Modern art gallery and the medieval Southwark Cathedral which dates back to the year 1106, while one of the world's leading contemporary art galleries, White Cube, is located in Bermondsey. Educational establishments include Camberwell College of Arts, a constituent college of the University of the Arts London, regarded as one of the UK's foremost art and design institutions.

In economic terms, Southwark has been a net importer of labour in London, powering the jobs market across the city. The borough has a rich mix of employers across construction, health and social care, retail, catering, hospitality, public sector and administration, finance and legal. 18,000 businesses are based here employing 302,000 people, generating £20billion in economic value every year. However, across London there are challenges to overcome, such as the continuing impacts of leaving the European Union, in order to get people with the right skills into the jobs of the future to ensure that all benefit from growth and development in years to come.

As at the 2021 census Southwark has the 7th highest population density in England and Wales, with a population count of 307,600 up from 288,300 in 2011. It is young and diverse: over 120 languages are spoken in local schools; 66% of the population under 20 years old; and 75% of reception-age children are from black and minority ethnic groups.

The median age of Southwark residents in 2021 was 34 years, over two years younger than the London average and almost seven years younger than the national average. Whilst the borough's population is comparatively young, this is not driven by a large number of children and young people. It is primarily a result of the large number of young adults in their 20s and 30s. And although Southwark has seen a 16% increase in over 65s, this is lower than the England average of a 20% increase.

Southwark: Economic climate

The 2023/24 economic climate was characterised by high inflation and interest rates and the continuing cost of living crisis. Post-Brexit uncertainties were having enduring impacts on local businesses and residents, while the war in Ukraine and the residual effects of the Covid-19 pandemic created a backdrop of uncertainty and challenging global economic forces. However, there were positives for Southwark. London Bridge and Bankside host a thriving tech start-up sector while the council was able to maintain significant investment in regeneration and housing developments across the borough, as well as provide support for residents affected by the cost of living crisis.

In this context the council was obliged to find savings and efficiencies in its budget for 2023/24. The assumptions underlying the budget were subjected to intense scrutiny from council members during the budget challenge process. As the council moves to a three-year budgeting model opportunities for meaningful cross-council transformation can now be realised. Close attention was paid to the economic uncertainties with prudent forecasts made of future council resources.

Thanks to sound financial management the council managed to weather the economic headwinds of the last year and translate this into strong operational responses to the cost of living and the climate crises. However, high interest rates and high inflation have severely impacted some of the council's key priorities such as our ambitious housebuilding projects. The council has balanced affordability concerns with its targets to maintain financial health and value for money for its residents.

Southwark: Community engagement and partnerships

Despite the uncertainties and challenges throughout the year the council continued to be as committed as ever to a shared long-term vision of the future that will benefit its residents.

We are launching the 'Southwark 2030' initiative through consultation with residents, community organisations and businesses to ensure the council's vision is a shared one. This builds on a legacy of good community relationships and partnerships already in place across the borough. This year action plans were agreed to make our shared vision a reality.

As part of our ambitious climate crises response, Southwark launched the UK's largest council community investment scheme for green projects: Southwark Green Investment. This gave residents and the wider public access to a low risk, fixed 4.6% investment return with the funds going towards climate friendly projects which will further benefit the borough.

The council is part of the new South East London Integrated Care System, a partnership between the NHS, the community and voluntary sector, and provider partners to ensure health provision reaches individual residents and families wherever and how they need it. To this end the council has recently expanded its senior team focused on integrated commissioning with the ICS. Southwark is also a member of various regional partnerships, including acting as host borough for Adopt London South which delivers incredible outcomes for looked after children across the area.

Southwark: Workforce

The council employed a total of 5,196 staff on 31 March 2024 (including permanent and fixed-term staff), compared to the 4,639 employed on 31 March 2023. The number of employees increased significantly during 2023/24, primarily as a result of the insourcing of leisure services, which took place in June 2023.

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

Our Southwark Stands Together programme is focused on tackling racial disparities within our workforce and promoting anti-racist practice. Since we began delivering this programme, we have seen a reduction in the size of our ethnicity pay gap and an increase in the proportion of senior management roles that are filled by colleagues from Black, Asian and minority ethnic backgrounds. However, we know there is much more to do to achieve our ambition of eradicating racism and this programme continues to be one of our highest priorities.

Over the last year, we have established a new recruitment team – which is designed to provide hiring managers with a professional resourcing service – and a new organisational development team, which is leading the development of our new people plan. The purpose of this plan is to set out the council's approach to attracting, developing and retaining the workforce we require to provide residents with high-quality public services. The process of developing the plan has included extensive engagement with staff at every level of the council, including through the delivery of our first annual Staff Expo, which was held in Peckham in January and attended by over 1,000 employees.

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

Council Priorities and Resource allocation

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

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

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

The financing of these plans is met through the medium-term financial plan and annual budgets.

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

In 2023/24, the economic backdrop consisted of an unusually high level of volatility from government policy changes, continued impacts of the war in Ukraine on energy prices, and the effects of the long-lasting cost of living crisis. Within these parameters, the council has continued to work hard to deliver the commitments by successfully maximising resources and making efficiency savings wherever possible. However there are significant ongoing challenges especially related to the Housing Revenue Account which is shouldering increased borrowing costs and pressures on the council's asset management function (see below).

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

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Council Performance and Achievements in 2023/24

Council performance is measured against detailed performance schedules, which sit beneath the council delivery plan. Responsibility is apportioned by lead cabinet member and chief officer for each commitment ensuring the whole organisation is working towards the delivery of the plan and that outcomes are measured and assessed. To ensure that this plan has real impact, the measures and milestones that underpin it, are monitored on a quarterly basis through the year by the Corporate Management Team (CMT) and Cabinet Members. An annual performance report is published each year and for 2023/24 the outcomes will be presented to cabinet in October 2024.

Examples of the outcomes achieved in 2023/24 against these commitments are listed in the table below:

Commitments	Outcomes
Transforming our borough	<ul style="list-style-type: none"> • Working with partners and residents to make our Southwark 2030 ambition real, focusing on developing proposals that reflect our residents lived experiences. • Continued to embed the Council's Equality Framework into all that we do.
A thriving and inclusive economy	<ul style="list-style-type: none"> • Built on the Cost of Living Fund launched in 2023 by supporting over 100,000 households and providing over 16,000 children with school meals during school holidays. • Over £3.4 million in welfare benefits achieved for residents. • Launched a new employer engagement and job brokerage service. • Major improvements have continued to progress in our town centres, including Walworth, Peckham, Canada Water, and Old Kent Road. • At the end of this year over 3000 Southwark residents had received training to gain skills for work, meeting our target for 2026 early. • Creation of 1900 green jobs in Southwark since 22/23, with 660 being created in 23/24 alone. • Over 700 apprenticeships have been created for Southwark residents.
A healthy environment	<ul style="list-style-type: none"> • Over 5,000 trees planted by end of 23/24. • Developments made to Burgess Park, Cossall Park and Victory Park; and 19 council-managed tennis courts refurbished. • Work to end carbon emissions in council operations and vehicles and the pension fund continued. • Working in partnership with the NHS, TfL, and local organisations to free up more land. • Increased the number of secure parking spaces in bike hangars by over 600.
Quality, affordable homes	<ul style="list-style-type: none"> • Just over 460 council homes were completed this year, with more than half of those being family-sized homes with 2 bedrooms or more. • All council home construction sites have an active resident project team to ensure residents have a voice in the design of new homes. • 99.8% of council estate inspections rated good or excellent. • Over 1,100 council homes upgraded with improved low carbon heating. • 100% of rough sleepers receive support within 48hrs of a referral. • Increased the proportion of private rented households that are covered by property licensing schemes to 28%, so more private landlords have to meet higher standards.
Keeping you safe	<ul style="list-style-type: none"> • Over 100 police officers trained by young people on Stop & Search. • 3,950 street and estate lights upgraded to LED. • Continued work to invest in improvements to our CCTV cameras and network.
Investing in communities	<ul style="list-style-type: none"> • Opened two libraries – One on the Kingswood estate and the Una Marson library on the Aylesbury estate. • 22,280 Southwark residents attended events and festivals supported by the Cultural Celebrations Fund in 2023/24.
Supporting families	<ul style="list-style-type: none"> • 98% of schools achieved good or outstanding Ofsted rating • Over 100 extra care housing units created. • 81% of our children in care live close to the borough, helping them maintain important links with their families and support systems. • Over 2,800 refugee, asylum-seeker, and vulnerable migrant households directly supported by the council.

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Financial Performance - Revenue

The council's finances are managed through several distinct funds as per statutory requirements to ring-fence certain expenditure and income. The General Fund (GF) is the main revenue account for the council and records the day-to-day expenditure and income relating to the provision of services. The Housing Revenue Account (HRA) is the landlord fund through which the council manages its housing stock. The Collection Fund (CF) collects council tax and business rates and makes a fixed contribution to the GF each year according to the budget requirement.

For 2023/24, a General Fund net budget of £315.8m was approved by Council Assembly in February 2023. Council Assembly also agreed to a 4.99% increase in council tax (including 2.00% adult social care levy) and a contribution of £2.5m from reserves to support a balanced budget. The revenue outturn position is summarised below:

General Fund	Original budget £000	Budget movement £000	Revised budget £000	Total use of resources £000	Variance after using reserves £000
Children and Adults	166,762	8,478	175,240	175,239	(1)
Environment Neighbourhoods and Growth	97,255	9,194	106,449	106,699	250
Finance	38,307	(22,368)	15,939	18,112	2,173
Governance and Assurance	23,789	1,727	25,516	25,394	(122)
Strategy and Communities	7,195	1,138	8,333	8,336	3
Housing	23,447	2,778	26,225	29,351	3,126
Support Cost Reallocations	(42,422)	(947)	(43,369)	(43,370)	(1)
Contribution from Reserves	(2,500)		(2,500)	(2,500)	-
General Fund Services	311,833	-	311,833	317,261	5,428
General Contingency	4,000	-	4,000	-	(4,000)
Risk reserves	-	-	-	(1,429)	(1,429)
Net revenue budget	315,833	-	315,833	315,832	(1)

Overall the financial performance of the general fund has been strong in 2023/24, despite significant challenges in the wider macro-economic environment. The council has also experienced significant underlying demand-led pressures in several areas such as home to school transport, homelessness services and the costs of supporting those with no recourse to public funds. Budget monitoring reports to cabinet have highlighted these pressures, which were mitigated through effective management activity, use of specific reserves earmarked for that purpose, and by the use of the contingency.

Children's and Adults' has worked hard to achieve an overall balanced position for the year, working closely with finance, human resources and procurement to ensure value for money amidst high inflation, the cost of living crisis, and general economic uncertainty. Key areas of concern throughout the year were special educational needs transport services, increased demand for care packages (Adult Social Care) and the increased complexity of need and cost for those leaving hospital with 'high acuity care' needs. Healthy reserves have been built up over the year and directors continue to practice strict financial management across all areas.

The adults' social care division effectively used additional funding to actively manage increased demand for placements and continued to demonstrate good management despite rising costs. Children's social care continued to find efficiencies by investing in early help services rather than relying on costly statutory interventions, and improved staff recruitment and retention to mitigate the shortage of social workers. Education has seen improvements to home to school transport expenditure, and the Dedicated Schools Grant (DSG) achieved a favourable outturn of £1.98m. However the High Needs Block remains a risk area and the accumulated DSG deficit needs careful management as part of the Department for Education's Safety Valve programme. The deficit stands at £9m and continued reduction relies on ongoing review of service provision coordinated across multiple departments. Public Health, funded from a ring-fenced grant from the DHSC, achieved a favourable outturn which enabled it to build more resilience in reserves against future uncertainties and increased demand.

The Environment, Neighbourhoods and Growth department was significantly enlarged in 2023/24 by the insourcing of the management of our leisure centres in June 2023. The Leisure division has coped well and reports a favourable position for the end of the year after much uncertainty. Other challenging areas include the increased demand-led expenditure on individuals and families with no recourse to public funds (NRPF) which follows national trends of 22% increases in expenditure across the country. Significant movements in reserves for this department mostly reflect the draw down of £4.7m to support the leisure centre mobilisation.

The Finance department has taken on Planning & Growth this year to reflect changes in management personnel. Overall, the main financial pressure is due to the cost of living crisis, with the customer services function shouldering a higher administrative burden this year. The other area of change is in the Technology and Digital Service (TDS) which is driving several significant programmes of change throughout the council. Essential investment in critical cybersecurity is becoming more challenging; the council is shifting towards cloud computing; and new data platforms are being created to enhance service delivery and improve outcomes from residents.

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Governance & Assurance has seen alleviated pressure after providing additional Covid-related services for some years, and there has been a saving on outsourcing the Corporate Facilities Management service which manages the council's operational estate. Cleaning services have been insourced for a full year but there is pressure here owing to necessary agency support. Human Resources is another area which has been strengthened over the year to better support the council's workforce, but this has required investment from reserves.

Strategy & Communities is responsible for other important corporate change delivery, as well as some of the council's most community-facing initiatives such as the important Southwark 2030 plan. The department will continue to draw down from reserves in future years for its own restructure and recruitment drive and to support change programmes.

Finally, the Housing department (within the GF) faced similar difficulties to the HRA through 2023/24, with asset management scope increasing to address more onerous legislative building safety requirements for cladding on high rise buildings. Homelessness was another significant pressure, with a sharp rise in approaches in the second half of the year compounded by ballooning rent charges and a diminishing market of providers which drive up costs.

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

Housing Revenue Account (HRA) outturn 2023/24

The HRA is the ring-fenced fund by which the council meets its statutory requirement to account for local authority housing provision separately to other finances. The revenue outturn for 2023/24 showed gross income of £311.9m, primarily from tenant rents and service charges, homeowner charges, commercial property, and garages. Gross expenditure was £328.2m, reflecting the unprecedented impact of inflationary pressure across the HRA, particularly in energy, staffing, and construction industry costs. The adverse variance was balanced by a reduction in revenue support for the capital programme of £13.8m, windfall interest income in financing (detailed below), and use of £2.5m in reserves.

There were several external factors contributing to soaring expenditure which are not unique to Southwark but are nevertheless compounded due to the council's position as the largest social landlord in London. These include the cumulative effect of a government imposed 1% rent reduction over four years (hundreds of millions in foregone income); a government imposed 7% cap on rents from 1 April 2023 (annual loss of £9m+ when compared to formula rent); unfunded additional burdens arising from the Fire Safety and Building Safety Acts of 2020 and 2021; and unprecedented construction industry inflationary pressure. These were compounded by the threefold increase in interest rates since December 2021 which have hugely increased the cost of funding the HRA's capital programme and has necessitated additional borrowing requirements for new homes and asset management. This has increased the revenue financing requirement by £6m more than last year and servicing the council's debt will consume a much greater proportion of HRA resources to the potential detriment of other service priorities.

In order to balance the overspend, capital expenditure that would normally have been funded through revenue contributions via the Majors Repairs Reserve (MRR) has instead been funded through additional unplanned borrowing. This has been avoided in previous years because it increases the burden on the revenue account through the additional interest payable on new borrowing. This added burden of around £400k will continue into 2024/25 and beyond.

Tenant facing services comprise the various operational divisions of the HRA that continue to experience significant cost pressure, despite additional budget provision being made, and despite mitigating actions as detailed in the HRA Recovery Plan. The main pressures consist of a higher volume and unit cost of estate voids and increases in estate cleaning and grounds maintenance contract costs. Similarly for asset management, costs have significantly outweighed the additional budget provision made across all areas, particularly within the Southwark Repairs service, which showed a trading deficit.

Capital, financing and support services represent the other major expenditure stream in the HRA, and the favourable variance partly offsets the operational overspends (before the mitigating actions discussed above). While the cost of debt has increased following the decision to reduce the revenue contribution to fund capital expenditure, there have been other significant spend reductions in this area which have mitigated the increased expenditure in tenant facing services. An overall reduction in the forecast borrowing requirement has led to a re-phasing of the interest payable. Moreover, as interest rates have risen, the interest receivable on cash balances has provided the HRA with a significant windfall.

In the context of the size of the council's HRA and Housing Investment Programme (HIP), with combined annual turnover in excess of £600m, reserve levels are considered to be below the optimal level necessary, which requires the council to establish a more prudent and sustainable level of reserves going forward.

As mentioned above, the HRA Recovery Plan has been developed to address the challenging circumstances for the HRA going forward. Cash limits have been agreed with service directors who have been planning how service delivery can be maximised within the limited financial resources available. Because HRA contingencies are near fully utilised, there is limited scope for dealing with any additional pressures outside of the agreed cash limits, putting already depleted reserve levels at risk. The recovery plan is also predicated on generating capital receipts from the disposal of obsolete assets, which is currently on track to meet the planned target.

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Collection Fund

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

Income raised from Council Tax is the single largest source of general funding for the council's revenue budget. In 2023/24, the Council collected £185m in Council Tax, of which £47m was collected on behalf of the Greater London Authority (GLA). The Council Tax for a Band D property (including the GLA precept) was £1,692.92 in 2023/24.

Recent economic factors such as the Covid-19 pandemic and the cost of living crisis have made collection more challenging, and there have been disappointing collection performance for council tax. However, a plan has been initiated to address this and the council remains confident about its abilities to collect budgeted rates for the year.

The Statement of Accounts provides further detail on the Collection Fund account for 2023/24.

Financial Performance: Capital

Southwark's capital programme is immense, representing a major element of the council's financial activities. It has a significant and very visible impact on the borough and hence on the lives of those who live, learn, visit, and do business in the borough. There are two major programme streams, the General Fund (GF) Capital Programme and the Housing Investment Programme (HIP) which sits within the HRA.

The GF programme delivers tangible benefits to the borough's residents over the long term and allows the council to fulfil its priorities and mandates. Commitments include creating and improving care homes, with new children's homes being opened; £25m dedicated to the council's Climate Action Plan in order to meet our ambitious net zero target and create a greener borough for all; flagship regeneration schemes which will provide communities with new facilities such as libraries, health centres, and leisure centres; and the important schools refurbishment programme and SEND capital strategy, ensuring that children get the education they deserve. The programme plans to spend £507m during the period 2023/24 to 2032/33 of which £375m will be funded by borrowing.

General Fund and Housing Investment Programme (HIP) capital spending and financing in 2023/24 are shown in the following table. Forecasts over the whole life of the programme are presented to Cabinet.

	2023/24 £000	2022/23 £000
Service capital expenditure:		
Children's and adults' services (incl schools)	26,047	14,297
Environment, Neighbourhoods and Growth	54,144	58,465
Finance	6,619	6,082
Governance and Assurance	6,635	7,488
Housing	2,108	1,572
Total GF spending	95,553	87,904
Housing Investment Programme:		
Asset Management	108,744	103,514
New build and acquisitions	216,826	202,356
Other programmes	5,639	11,090
Total HIP spending	331,209	316,960
Total spending	426,762	404,864
Financed by:		
Capital receipts	(25,656)	(36,582)
Direct revenue contributions	(3,472)	(18,915)
Government grants and other contributions	(90,656)	(145,370)
Major repairs reserve (HIP)	(46,857)	(51,708)
Prudential borrowing and credit arrangements	(260,120)	(152,288)
Total financing	(426,761)	(404,863)

The Housing Investment Programme (HIP) comprises two strands, the New Build programme and the Asset Management programme, covering our commitment to delivering new council homes and actions to properly maintain existing homes (in particular around safety standards) respectively. The scale of the HIP programme is impressive, with £1.1bn invested from 2010/11 to 2022/23, and £1.3bn planned for 2023/24 to 2032/33. The latter comprises £616m for new homes, £699m for asset management and £7m for other initiatives.

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After a review, and due to challenging global economic factors the New Build programme has been restructured. The new homes commitment has been split into two categories: a 'committed' and 'uncommitted' programme. While those projects already contractually committed to will be continued, in order to maintain prudent and sustainable levels of borrowing those projects in the uncommitted category have been postponed due to affordability. The ramifications of a tripling of interest rates since December 2021, just as the council reaches a peak in its borrowing requirement, means that there will be ongoing further review of what is affordable and practical which will inevitably result in some projects been slowed or paused over the next few years.

In addition, the council will review closely the programme on existing stock not least in relation to the Building Safety Act 2022 which will incur significant additional costs both to complete surveys and to fund the costs of works emerging as a result.

In 2023/24 the outturn spend for the HIP was £331.2m: £216.8m for new builds, £108.7m for asset management, and £5.7m for other. During 2023/24, the New Build Programme completed the delivery of 605 new homes across 17 schemes, of which 488 are council homes at social rent, 57 are shared ownership and 60 for private sale.

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Balance Sheet: Reserves

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

	1 April 2023	Movement	31 March 2024
	£000	£000	£000
General Fund Balance	(22,443)	-	(22,443)
Earmarked Reserves			
Corporate projects and priorities	(39,579)	(23,988)	(63,567)
Service reviews and improvement	(33,974)	(24,364)	(58,338)
Capital programme reserves	(35,759)	6,005	(29,754)
Strategic financial risk	(59,178)	10,687	(48,491)
Technical and smoothing reserves	(38,910)	(3,385)	(42,295)
Covid-19 reserves	(2,473)	2,473	0
Revenue grant reserves	(2,617)	270	(2,347)
Subtotal	(212,490)	(32,302)	(244,792)
School reserves			
Schools - dedicated schools grant (DSG) reserve	(7,184)	(5,753)	(12,937)
School balances	(13,668)	(1,391)	(15,059)
Subtotal	(20,852)	(7,144)	(27,996)
Housing Revenue Account (HRA)			
HRA balance	(19,458)	2,537	(16,921)
Major repairs reserve	0	0	0
Subtotal	(19,458)	2,537	(16,921)
Total revenue usable reserves	(275,243)	(36,909)	(312,152)
Capital Receipts Reserve	(100,726)	(1,780)	(102,506)
Capital Grants Unapplied Reserve	0	(19,706)	(19,706)
Total Capital reserves	(100,726)	(21,486)	(122,212)
Total usable reserves	(375,969)	(58,395)	(434,364)

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

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

Overall the general fund earmarked reserves have increased significantly in 2023/24, however this is largely a result of the need for risk-informed smoothing and technical reserves as well as the need to build significant resource for large-scale programmes on the horizon. The most significant of these is £17.1m for the council's Southwark360 programme which will replace our finance and HR IT systems which have been in use since 1999. Additionally resources have been created for the Cost of Living Fund (£6.8m), Highways Transformation (£6.8m), Children and Adults innovation (£3.5m), Temporary Accommodation strategy (£2.5m) and many more.

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

The ring-fenced nature of the HRA requires that surpluses/deficits are carried forward between years. At 31 March 2024 the HRA balance stood at £16.9m (£19.5m at 31 March 2023). The HRA holds reserves for specific purposes and as contingency against operational deficits, unforeseen events and to mitigate future risks in line with the council's medium-term financial strategy (MTFS), in the same manner as the council's General Fund. During 2023/24 it has been necessary to drawdown £2.5m of reserves to balance the HRA, in tandem with the other mitigation actions described in the HRA outturn section.

Balance Sheet: Borrowing and Lending

The council borrows money to support its ambitious capital programme, refinance maturing loans and to maintain target cash balances. As at 31 March 2024, actual total borrowings held by the council was £1,085m (£991m at 31 March 2023), of which £1,020m was long-term PWLB and MEEF loans (£921m at 31 March 2023) and £65m short-term loans from other local authorities (£70m at 31 March 2023).

In accordance with IFRS 9 financial reporting requirements, long-term loans at amortised cost amounted to £967m at 31 March 2024 (£895m at 31 March 2023). This reflects accounting adjustments for accrued interest of £11m (£7m in 2022/23) and loans due for repayment within one year after the reporting period of £63m (£33m in 2022/23), which are included in short-term loans of £129m (£103 in 2022/23) in the note 39 to the accounts.

The timing of long-term borrowing needs to be weighed against the risk that interest rates will increase in the future with a view to keeping future interest rate costs low. During 2023-24, in accordance with the approved treasury management strategy, the council increased its overall borrowings by £94m (Long-term loans: £115m raised with £16m repaid and short-term loans: £65m raised from other local authorities with £70m repaid). The weighted average rate of long-term borrowings was 3.76%.

The council invests its surplus cash in bonds, bills and money market instruments. The bonds and bills are issued by the UK government or supranational entities. The money market investments are in short-term call accounts, money market funds, term deposits and certificates of deposits issued by major UK and international banks or building societies. As at 31 March 2024, total investments stood at £63m (£220m at 31 March 2023). The overall weighted rate of return on investments during 2023/24 was 4.43% (2.07% in 2022/23).

Pension Fund

The Pension Fund is underpinned by an investment strategy which was updated in December 2022. A revaluation is required every three years to set future contribution rates. The latest valuation, as at 31 March 2022, showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2022 covering 109% of the liabilities. Contribution rates certified in the 2022 valuation are applicable for three years from 1 April 2023. However, given the funding level has continued to increase since the 2022 valuation, the decision was made, in conjunction with advice from the Fund's actuaries, to remove the secondary rate payable by Southwark Council, with effect from 1 April 2024. The primary rate payable by the council will remain at the rate set at the 2022 valuation.

The council has committed to reduce carbon exposure in the Fund's investment and become net zero carbon by 2030, whilst still maintaining investment performance. Further progress has been made during 2023/24 to achieve this.

War in Europe and a sharp rise in global interest rates in 2022/23 stalled what had been a strong post-pandemic recovery, proving just how unpredictable the market environment can be. The Fund faces, and must manage, many challenges in both the short and medium term: persistently high inflation, tight monetary policy, lingering pessimism over the outlook for global GDP, as well as the impact of geopolitical tensions. These and other uncertainties will require careful ongoing monitoring of the investment strategy to ensure the Fund is not impacted negatively by market volatility.

Principal Risks and Uncertainties

There continues to be great uncertainty, both with respect to central government funding and in terms of the economy as a whole the UK economy climbs out of a brief recession. An update on the council's medium term financial strategy for 2024/25 and 2026/27 will be regularly submitted to cabinet over 2023/24.

The council has an embedded process to manage risk and assist in the achievement of its objectives. The corporate risk register captures the key departmental and corporate risks to the council. Key risks are held on the council-wide risk management system and accompanied by mitigations, setting out the controls in place to manage each risk. This has proved effective in managing the unexpected risks over the last few years and enabled the council to boost its financial resilience.

The council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The council's governance arrangements are reviewed annually and within the annual governance statement (AGS), assurance is given on the effectiveness of the council's system of internal control. Despite national challenges around local government external audit all Southwark's statement of accounts before 2023-24 have been fully audited, helping to strengthen the assurance that the council is operating within legal and appropriate bounds.

The council's 2023/24 annual governance statement highlighted the significant risks and issues that arose and referenced those that might potentially impact on future years. In addition to the ongoing cost of living crisis, the issues that arose were:

- i) The council's Southwark360 programme to replace its 25-year-old Enterprise Resource Planning (ERP) system (finance and HR systems). Recent programmes of change at other councils have met significant challenges and resulted in unprecedented unplanned financial outlay. Extensive planning and mobilisation is ongoing to mitigate these risks.
- ii) The anticipated change in government administration after the general election on 4 July. Given the economic uncertainty it is unclear how a new administration would be able to approach local government funding. The council's medium term and long term financial strategies have been strengthened, both set with prudent assumptions on future resources with updates reported regularly to cabinet.
- iii) The Cost of Living Crisis has affected a large proportion of Southwark residents. Despite inflation falling during 2023/24 household incomes were forecasted to be lower than at the last election and lower income households are disproportionately affected. The council has supported 83,000 households to date and continues to build reserves to be able continue this support in the future amidst an uncertain global economy.
- iv) The management of the council's housing delivery programmes as a key area of financial risk. The council is the largest council landlord in London and one of the biggest in the country. The cost of living and inflationary pressures over the past 18 months have negatively impacted on the Housing Revenue Account (HRA). The government have imposed restrictions on the rent rise for social housing at 7%. This has meant that rent rises have not risen in line with construction inflation, which has created significant pressure within the HRA.
- v) Budgetary pressures in Temporary Accommodation. Southwark is a leading authority on homeless prevention and is committed to meeting unremitting demand for temporary accommodation. The resulting financial pressures are monitored closely, and practical steps are being taken to increase the supply of appropriate housing solutions.
- vi) Capital resources are under extreme pressure with additional borrowing required to support the new homes programmes with a consequent revenue financing impact on the HRA. The council has to consider the key housing priorities going forward within a climate of limited financial resources.
- vii) The climate emergency is a major focus for the council, working in partnership with stakeholders, partners, staff and residents to tackle the effects of climate change. The council has published a Climate Emergency Strategy and Action Plan setting out how the council will become carbon neutral by 2030 and work to ensure the borough as a whole is also carbon neutral by 2030.
- viii) The council is aware that recruitment and retention of staff is critical to service delivery. Shortage of workers due to people retiring earlier and the continuing impact of Brexit have created further competition with private sector companies who have already adapted to this challenge with higher wages and enhanced benefits. There has been success in the council in 2023/24 in creating more permanent teams in challenging areas such as social care.
- ix) The council entered into a formal Safety Valve Agreement with the Department for Education (DfE) at the end of the 2022-23 financial year. The programme focuses on improving SEND services in line with Southwark's SEND Strategy 2022-2025 and commits to reach an in-year balance on the DSG by 2024/25 and eliminating that deficit by 2026/27 with the support of £23m Safety Valve funding as set out in the DSG Management Plan.
- x) Cyber security and IT network security continues to require careful management, particularly in the context of the IT shared service arrangements.

Explanation of Accounting Statements

This Statement of Accounts is produced in accordance with legislation and in particular with the Accounts and Audit Regulations 2015. These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code). Under the Code, local authorities produce accounts that are compliant with International Financial Reporting Standards (IFRS).

Core financial statements

Comprehensive Income and Expenditure Statement

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

Movement in Reserves Statement

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

Balance Sheet

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

Cash Flow Statement

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

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

Expenditure and Funding Analysis

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

Supplementary financial statements

Housing Revenue Account (HRA)

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

Collection Fund

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

Pension Fund

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

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

TABLE 1 - EARMARKED RESERVES

COVID-19 RESERVES			
	1 April 2023	Net movement	31 March 2024
	£000	£000	£000
Covid-19 - Contain outbreak management	1,295	(1,295)	-
Covid-19 - Clinically extremely vulnerable	678	(678)	-
Covid-19 - Town centres and high streets	500	(500)	-
Total	2,473	(2,473)	-

CORPORATE PROJECTS AND PRIORITIES RESERVES			
	1 April 2023	Net movement	31 March 2024
	£000	£000	£000
Cost of Living Fund	15,521	6,870	22,391
Corporate Software Application Development	4,500	17,110	21,610
Southwark 2030 Fund	3,000	-	3,000
Modernisation, Service and Operational Improvement	2,999	-	2,999
Corporate Capacity Building	2,200	(19)	2,181
Other Reserves <£2m	11,359	27	11,386
Total	39,579	23,988	63,567

CAPITAL PROGRAMME AND OTHER CAPITAL INVESTMENT RESERVES			
	Balances as at 31 March 2023	Net movement	Balances as at 31 March 2024
	£000	£000	£000
Aylesbury development	6,000	-	6,000
Highways and parking climate emergency projects	5,398	(600)	4,798
Regeneration & development	4,779	(419)	4,360
Planned preventative maintenance and building compliance	4,088	-	4,088
Other Reserves <£2m	15,494	(4,986)	10,508
Total	35,759	(6,005)	29,754

SERVICE REVIEWS AND IMPROVEMENTS RESERVES			
	Balances as at 31 March 2023	Net movement	Balances as at 31 March 2024
	£000	£000	£000
Adult social care resilience plan	8,956	1,311	10,267
Public health	3,345	2,393	5,738
Children and Adults transformation	2,928	130	3,058
Rough sleeping initiative	2,462	-	2,462
Children and Families Future Risks	1,200	2,681	3,881
Temporary accommodation strategy	915	2,568	3,483
Highways transformation	600	6,822	7,422
Children and Adults Innovation Development	400	3,541	3,941
Children and Education Sustainability Fund	-	2,632	2,632
Employment Skills	-	5,510	5,510
Other Reserves <£2m	13,168	(3,224)	9,944
Total	33,974	24,364	58,338

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

TECHNICAL AND SMOOTHING RESERVES			
	Balances as at 31 March 2023 £000	Net movement £000	Balances as at 31 March 2024 £000
Equalisation Reserves	13,849	5,930	19,779
Insurance reserve	9,711	-	9,711
Planned Support for MTFP	5,000	2,500	7,500
Schools de-delegated balances	3,727	(908)	2,819
Other Reserves <£2m	6,623	(4,137)	2,486
Total	38,910	3,385	42,295

STRATEGIC FINANCIAL RISK RESERVES			
	Balances as at 31 March 2023 £000	Net movement £000	Balances as at 31 March 2024 £000
Funding Risk	42,275	(12,070)	30,205
Pay and Inflation	11,602	-	11,602
Pension Liability Risk	2,684	-	2,684
Contractual Risk	2,450	-	2,450
Other Reserves <£2m	167	1,383	1,550
Total	59,178	(10,687)	48,491

Earmarked Reserves	209,873	32,572	242,445
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It should be noted that council reserves are subject to a number of pre-existing commitments and key pressures including:

- Capital reserves are required to fund existing capital commitments
- A number of the strategic financial risk reserves are earmarked for potential pressures relating to local government reform including the Fair Funding Review, Business Rates retention and revaluation; as well as economic risks including inflation and the financial effects from the downturn in the economy
- Separately, there is £12.937m reserves set aside to finance the accumulated deficit on the Dedicated Schools Grant of £21.651m, funded by the Department of Education.

Statement of Responsibilities



The Council's responsibilities

The Council is required to:

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

The Strategic Director of Finance responsibilities

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

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

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

The Strategic Director of Finance has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of Southwark Council as at 31 March 2024 and its income and expenditure for the financial year ended 31 March 2024.

Signature:

Clive Palfreyman
Strategic Director of Finance

Date: 3 July 2024

Signature:

Councillor Barrie Hargrove
Chair of the Audit, Governance and Standards
Committee

Date: __ September 2024

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

Independent auditor's report to the members of Southwark Council

To be added following completion of the Audit.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

To be added following completion of the Audit.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

To be added following completion of the Audit.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

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STATEMENT OF ACCOUNTS 2023/24

To be added following completion of the Audit.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

To be added following completion of the Audit.



CORE FINANCIAL STATEMENTS 2023/24

Comprehensive Income and Expenditure Statement

Movement in Reserves Statement

Balance Sheet

Cash Flow Statement

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	Notes			2023/24			2022/23
		Gross	Gross	Net	Gross	Gross	Net
		Expend	Income	Expend	Expend	Income	Expend
		£000	£000	£000	£000	£000	£000
Children and Adults		560,915	(411,944)	148,971	564,947	(390,215)	174,732
Environment Neighbourhoods and Growth		149,481	(75,611)	73,870	162,790	(65,303)	97,487
Finance		337,181	(196,259)	140,922	212,617	(168,754)	43,863
Governance and Assurance		26,427	(1,753)	24,674	59,768	(2,077)	57,691
Strategy and Communities		9,033	(435)	8,598	6,911	(1,748)	5,163
Housing GF		60,128	(38,532)	21,596	48,925	(35,715)	13,210
Housing Revenue Account (HRA)		423,630	(307,392)	116,238	338,063	(285,378)	52,685
Net cost of services		1,566,795	(1,031,926)	534,869	1,394,021	(949,190)	444,831
Other Operating Income and Expenditure	8			(1,258)			(7,277)
Financing and Investment Income and Expenditure	9			91,133			53,155
Taxation and Non-Specific Grant Income and Expenditure	10			(457,246)			(475,108)
(Surplus)/Deficit on Provision of Services				167,498			15,601
(Surplus)/deficit on revaluation of non current assets	23			(194,944)			109,674
(Surplus) / deficit on financial assets measured at fair value through other comprehensive income	39			473			(606)
Remeasurement of the net defined benefit liability	23			7,176			(413,434)
Other Comprehensive Income and Expenditure				(187,295)			(304,366)
Total Comprehensive Income and Expenditure				(19,797)			(288,765)

MOVEMENT IN RESERVES STATEMENT

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

MOVEMENT IN RESERVES 2023/24

	General Fund Balances											
	General Fund Balance	Earmarked General Fund Reserves	Schools Balances Reserves	Dedicated Schools Grant Reserves	Total General Fund (GF) Balance	Housing Revenue Account (HRA) Balance	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 23)	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2022	(22,445)	(208,240)	(14,391)	-	(245,076)	(26,130)	-	(100,419)	-	(371,625)	(4,052,605)	(4,424,230)
Movement in reserves during 2022/23												
Surplus/(deficit) on the provision of services	74,975	-	-	-	74,975	(59,374)	-	-	-	15,601	-	15,601
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	(304,366)	(304,366)
Total Comprehensive Income and Expenditure	74,975	-	-	-	74,975	(59,374)	-	-	-	15,601	(304,366)	(288,765)
Adjustments between accounting basis & funding basis under regulations (Note 11)	(85,684)	-	-	-	(85,684)	66,046	-	(307)	-	(19,945)	19,945	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(10,709)	-	-	-	(10,709)	6,672	-	(307)	-	(4,344)	(284,421)	(288,765)
Transfers to/(from) earmarked reserves	10,711	(4,250)	723	(7,184)	-	-	-	-	-	-	-	-
Increase/(Decrease) in Year	2	(4,250)	723	(7,184)	(10,709)	6,672	-	(307)	-	(4,344)	(284,421)	(288,765)
Balance as at 31 March 2023	(22,443)	(212,490)	(13,668)	(7,184)	(255,785)	(19,458)	-	(100,726)	-	(375,969)	(4,337,026)	(4,712,995)
Balance as at 1 April 2023	(22,443)	(212,490)	(13,668)	(7,184)	(255,785)	(19,458)	-	(100,726)	-	(375,969)	(4,337,026)	(4,712,995)
Movement in reserves during 2023/24												
Surplus/(deficit) on the provision of services	112,643	-	-	-	112,643	54,855	-	-	-	167,498	-	167,498
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	(187,295)	(187,295)
Total Comprehensive Income and Expenditure	112,643	-	-	-	112,643	54,855	-	-	-	167,498	(187,295)	(19,797)
Adjustments between accounting basis & funding basis under regulations (Note 11)	(152,089)	-	-	-	(152,089)	(52,318)	-	(1,780)	(19,706)	(225,893)	225,893	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(39,446)	-	-	-	(39,446)	2,537	-	(1,780)	(19,706)	(58,395)	38,598	(19,797)
Transfers to/(from) earmarked reserves	39,446	(32,302)	(1,391)	(5,753)	-	-	-	-	-	-	-	-
Increase/(Decrease) in Year	-	(32,302)	(1,391)	(5,753)	(39,446)	2,537	-	(1,780)	(19,706)	(58,395)	38,598	(19,797)
Balance as at 31 March 2024	(22,443)	(244,792)	(15,059)	(12,937)	(295,231)	(16,921)	-	(102,506)	(19,706)	(434,364)	(4,298,428)	(4,732,792)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

BALANCE SHEET

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

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

	Notes	31 March 2024 £000	31 March 2023 £000
Property, plant and equipment	13	5,756,288	5,539,221
Heritage assets		1,223	1,223
Investment property	14	281,457	313,232
Long-term investments	39	11,304	13,822
Long-term debtors	17	30,887	27,496
Pension assets	38	62	138
Long Term Assets		6,081,221	5,895,132
Short-term investments	39	18,202	125,320
Inventories	15b	12,004	520
Short-term debtors	17	168,674	154,913
Assets held for sale	15a	18,972	16,617
Cash and cash equivalents	16	34,490	80,878
Current Assets		252,342	378,248
Short-term borrowing	39	(129,544)	(103,138)
Short-term creditors	18	(233,971)	(247,380)
Short-term provisions	19	(5,924)	(510)
Grants receipts in advance	21	(174,007)	(207,812)
Bank overdraft	16	(9,416)	(6,225)
Current Liabilities		(552,862)	(565,065)
Long-term creditors	18	(6,175)	(6,703)
Long-term provisions	19	(8,964)	(22,470)
Long-term borrowing	39	(966,894)	(894,821)
Pension liabilities	38	-	-
Other long-term liabilities	36	(65,876)	(71,326)
Long Term Liabilities		(1,047,909)	(995,320)
Net Assets		4,732,792	4,712,995
Usable reserves	12	(434,364)	(375,969)
Unusable reserves	23	(4,298,428)	(4,337,026)
Total Reserves		(4,732,792)	(4,712,995)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

CASH FLOW STATEMENT

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

	Notes	2023/24 £000	2022/23 £000
Net surplus or (deficit) on the provision of services		(167,498)	(15,601)
Adjustment to surplus or (deficit) on the provision of services for non cash movements	24	365,827	288,343
Adjust for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	24	(141,708)	(182,259)
Net cash flows from operating activities		56,621	90,483
Net cash flows from investing activities	25	(197,207)	(152,209)
Net cash flows from financing activities	26	91,007	88,927
Net increase or (decrease) in cash and cash equivalents		(49,579)	27,201
Cash and cash equivalents at the beginning of the reporting period	16	74,653	47,452
Cash and cash equivalents at the end of the reporting period		25,074	74,653



DISCLOSURE NOTES TO THE ACCOUNTS 2023/24

Note 1. EXPENDITURE AND FUNDING ANALYSIS

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

Expenditure and Funding Analysis	2023/24					2022/23				
	As reported for resource management (Narrative report)	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances	Net expenditure chargeable to the General Fund and HRA balances	Adjustments between funding and accounting basis (Note 7)	Net expenditure in the Comprehensive Income and Expenditure Statement	As reported for resource management (Narrative report)	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances	Net expenditure chargeable to the General Fund and HRA balances	Adjustments between funding and accounting basis (Note 7)	Net expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Children and Adults (including dedicated schools grant)	175,239	(28,453)	146,786	2,185	148,971	168,527	(21,883)	146,644	28,088	174,732
Environment Neighbourhoods and Growth	106,699	(23,936)	82,763	(8,893)	73,870	91,484	(16,551)	74,933	22,554	97,487
Finance	14,183	(29,587)	(15,404)	156,326	140,922	23,777	(17,150)	6,627	37,236	43,863
Governance and Assurance	25,394	(411)	24,983	(309)	24,674	24,809	(141)	24,668	33,023	57,691
Strategy and Communities	8,336	349	8,685	(87)	8,598	5,792	(1,163)	4,629	534	5,163
Housing GF	29,351	(9,708)	19,643	1,953	21,596	21,270	(11,050)	10,220	2,990	13,210
Housing Revenue Account (HRA)	-	2,537	2,537	113,701	116,238	-	6,672	6,672	46,013	52,685
Support cost reallocations	(43,370)	43,370	-	-	-	(42,423)	42,423	-	-	-
Net cost of services	315,832	(45,839)	269,993	264,876	534,869	293,236	(18,843)	274,393	170,438	444,831
Other income and expenditure	(315,832)	8,930	(306,902)	(60,469)	(367,371)	(293,235)	14,805	(278,430)	(150,800)	(429,230)
(Surplus)/Deficit	-	(36,909)	(36,909)	204,407	167,498	1	(4,038)	(4,037)	19,638	15,601
Opening General Fund and HRA Balance at 1 April			(275,243)					(271,206)		
(Surplus)/Deficit on General Fund and HRA Balance in year			(36,909)					(4,037)		
Closing General Fund HRA Balance at 31 March			(312,152)					(275,243)		

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The Statement of Accounts summarises the council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices, under section 21 of the 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, supported by International Financial Reporting Standards (IFRS).

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

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

Highways Network Infrastructure Assets

2.1.1 Highways Network Infrastructure Assets

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

2.1.2 Recognition

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

2.1.3 Measurement

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

2.1.4 Depreciation

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

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

2.1.5 Disposals and Derecognitions

When a significant component of the Network is disposed of or decommissioned, the carrying amount of the component in the balance sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Where a part of the network is replaced, an adaptation provided in a separate update to the Code assumes that from the introduction of the IFRS based Code when parts of the asset are replaced or restored the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

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

2.2 Adjustments between accounting basis and funding basis

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

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

The material adjustments are:

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

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Category	Accounting basis in	Funding basis in MiRS	Adjustment account
Capital grants and contributions	Grants that became unconditional in year or were received in year without conditions	No credit	Capital grants unapplied reserve (unapplied at 31 March) Capital adjustment account (other amounts)
Non-current asset disposals	Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal)	No charge or credit	Capital adjustment account (carrying amount) Capital receipts reserve (sale proceed and cost of disposal) Deferred capital receipts reserve (sale proceeds not yet received)
Financial instruments	Premiums payable and discounts receivable on early repayment of borrowing in 2022/23 Losses on soft loans and interest receivable on an amortised cost basis Movements in the fair value of money market fund investments	Deferred debits/credits of premiums/discounts from earlier years Interest due to be received on soft loans in year Historical cost gains/losses for money market fund investments disposed of in year	Financial instruments adjustment account
Pension costs	Movements in pensions assets and liabilities	Employers pension contributions payable and direct payments made by the council to pensioners	Pensions reserve
Council tax	Accrued income from 2022/23 bills	Demand on the Collection Fund for 2022/23 plus share of estimated surplus/deficit for 2021/22	Collection Fund adjustment account
Business rates	Accrued income from 2022/23 bills	Budgeted income receivable from the Collection Fund for 2022/23 plus share of estimated surplus/deficit 2021/22	Collection Fund adjustment account
Holiday pay	Projected cost of untaken leave entitlements at 31 March 2023	No charge	Accumulated absence adjustment account
Dedicated schools grant (DSG)	Expenditure incurred in 2022/23 to be met from dedicated schools grant	Expenditure incurred up to the amount of the grant receivable for 2022/23	Dedicated schools grant adjustment account

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2.3 Accruals of income and expenditure

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

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

2.4 Business improvement districts

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

2.5 Employee benefits

Termination benefits

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

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Post employment benefits

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

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

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

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

Employment benefits - the Local Government Pension Scheme

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

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

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

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

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

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

Discretionary benefits

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

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STATEMENT OF ACCOUNTS 2023/24**2.6 Financial instruments**

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

Financial liabilities

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

Financial assets

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

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

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

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

2.7 Government grants and contributions

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

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

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

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

2.8 Investment property

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

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STATEMENT OF ACCOUNTS 2023/24**2.9 Leases**

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

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

The council as lessee - finance leases

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

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

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

The council as lessee - operating leases

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

The council as lessor - operating leases

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

2.10 Overheads and support services

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

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

2.11 Private finance initiative (PFI) and similar contracts

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

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

2.12 Property, plant and equipment (PPE)

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

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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Useful lives are assessed on the following bases:

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

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

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

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

Sites under development

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

Disposals and non-current assets held for sale

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

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

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

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

2.13 Provisions, contingent liabilities and contingent assets

Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

2.14 Reserves

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

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

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

2.15 Schools

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

2.16 Value added tax (VAT)

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

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

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

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

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

2.18 Accounting for schools non-current assets

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

	Number of schools	Value of land and buildings recognised £000
Community schools, nursery schools and special schools	42	587,620
Voluntary aided faith schools and foundation schools	24	-

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3. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

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

IFRS 16 Leases	<p>These provisions would not be mandatory until 2024/25. The council is not planning to implement IFRS16 until this becomes mandatory.</p> <p>The main impact of IFRS16 will relate to property that the council holds under operating leases, for which assets and liabilities are not recognised and rents are generally charged as revenue expenditure when they are payable.</p> <p>Under IFRS16, the accounting treatment for all leases (except those with a term of less than 12 months and those involving low value items) will be to recognise a right-of-use asset in the Balance Sheet, measuring the value of the council's right to use the property over the remaining term of the lease. The Balance Sheet will also include a liability for the rents payable before the lease expires.</p> <p>When rents are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset will be reflected in depreciation charges in the Comprehensive Income and Expenditure Statement. However, statutory arrangements are in place that will allow the impact on the General Fund Balance to be unchanged – i.e. that the overall charge for each year will be the rents payable in that year.</p>
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There are no changes in accounting requirements for 2024/25 that are anticipated to have a material impact on the council's financial performance or financial position.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

4.1 Accounting for schools' non-current assets

An accounting judgement has been made for each of the council's maintained schools as to whether their non-current assets - land and buildings - should be included on the council's own balance sheet. The council has assessed the legal framework for the different types of schools and has determined the following. The council recognises the assets of community, nursery and special schools because the rights and obligations associated with them rest with the council. However, most foundation and voluntary aided schools in the borough are not controlled by the council so their assets are not recognised on the council's balance sheet. The exception is Charles Dickens primary (a foundation school) whose assets are owned and controlled by the council.

St Michael's, St Thomas, and Sacred Heart are voluntary aided secondary schools. St Michael's became operational in January 2011, St Thomas in February 2012, and Sacred Heart in September 2014. The schools have been built and operated under PFI arrangements under 25 year contracts with 4 Futures Ltd.

The assets of voluntary aided secondary schools are deemed not to be assets of the council. Even though the council has the obligation to make payments under PFI arrangements to 4 Futures Ltd for operating the schools and reimbursement of the capital expense incurred, the council does not have an interest in the assets. Further details of the financial arrangements for the schools PFI contracts, and the obligations outstanding, can be found in note 35.

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

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

The items in the council's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

5.1 Valuation of property, plant and equipment (PPE)

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

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

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

5.2 Valuation of HRA Dwellings (part of PPE)

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

5.3 Movement in property valuations analysis

A sensitivity analysis detailing movement in valuations is as follows:

Asset category	Assets valued at 31 March 2024 £000	Increase in valuation		Decrease in valuation	
		1% £000	5% £000	1% £000	5% £000
Council dwellings	3,506,724	35,067	175,336	(35,067)	(175,336)
Other land and buildings	1,222,355	12,224	61,118	(12,224)	(61,118)
Surplus assets	13,284	133	664	(133)	(664)
Investment property	281,457	2,815	14,073	(2,815)	(14,073)
Assets held for sale	18,972	190	949	(190)	(949)
Total	5,042,792	50,429	252,140	(50,429)	(252,140)

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5.4 Defined benefit pension liability

The council recognises its outstanding liabilities to meet future pensions costs, and accounts for those liabilities in accordance with IAS 19. At 31 March 2024 the outstanding net pensions liability was assessed at £0m (£0m at 31 March 2023). For two of the pension funds the council contributes to, its own and that of the London Pension Fund Authority, the council's outstanding liability is assessed by consulting actuaries to each fund.

Estimation by the actuaries of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The effects on the net pension's liability of changes in individual assumptions can be measured. The estimates, assumptions and sensitivity of changes in assumptions are provided in note 38.

5.5 Impairment allowance for doubtful debt

As at 31 March 2024, the council had an outstanding balance of short-term debtors totalling £270.5m. Against this debtors' balance, there is an impairment allowance of £101.9m. It is not certain that this impairment allowance would be sufficient as the council cannot assess with certainty which debts will be collected or not. The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts were authorised for issue by the Strategic Director of Finance on 3 July 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

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

Adjustments from General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts	2023/24				2022/23			
	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000	£000	£000	£000
Children and Adults	11,274	(1,541)	(7,548)	2,185	18,840	19,759	(10,511)	28,088
Environment Neighbourhoods and Growth	18,680	(1,600)	(25,973)	(8,893)	26,871	11,569	(15,886)	22,554
Finance	80,479	(825)	76,672	156,326	(12,161)	(6,298)	55,695	37,236
Governance and Assurance	3,750	(312)	(3,747)	(309)	34,362	1,795	(3,134)	33,023
Strategy and Communities	-	(87)	-	(87)	-	551	(17)	534
Housing GF	2,239	(172)	(114)	1,953	1,708	941	341	2,990
Housing Revenue Account (HRA)	132,606	(1,286)	(17,619)	113,701	58,836	7,027	(19,850)	46,013
Net cost of services	249,028	(5,823)	21,671	264,876	128,456	35,344	6,638	170,438
Other income and expenditure from the funding analysis	(38,122)	(1,277)	(21,070)	(60,469)	(120,453)	9,411	(39,758)	(150,800)
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	210,906	(7,100)	601	204,407	8,003	44,755	(33,120)	19,638

Adjustments for Capital purposes

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

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

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

Net change for the pensions adjustments

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

Other differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. For net cost of services other differences, this represents removal of the annual leave accrual adjustment, dedicated schools grant deficit adjustment, finance costs, premiums and financial instruments adjustments. For financing and investment income and expenditure the other differences column recognises adjustments to General Fund for the timing differences for premiums and discounts and financial instruments. The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the CIPFA Code of Accounting Practice for Local Authorities 2023/24. This is a timing difference as any difference will be brought forward in future surpluses or deficits in the Collection Fund.

An analysis of the nature of Income and Expenditure:

	2023/24	2022/23
	£000	£000
Expenditure		
Employee expenses	419,473	438,328
Other services expenses	836,229	749,104
Depreciation, amortisation and impairment	311,092	208,547
Interest payments	45,400	50,033
Precepts and levies	2,059	2,030
Losses on disposal of assets	27,062	27,822
Subtotal	1,641,315	1,475,864
Income		
Fees, charges and other service income	(492,661)	(423,652)
Interest and investment income	45,733	1,164
Income from council tax and business rates (NDR)	(229,318)	(215,038)
Government grants and contributions	(767,191)	(785,608)
Gains on disposal of assets	(30,380)	(37,129)
Subtotal	(1,473,817)	(1,460,263)
(Surplus) / deficit on the provision of services	167,498	15,601

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8. OTHER OPERATING INCOME AND EXPENDITURE

	2023/24	2022/23
	£000	£000
Levies	2,059	2,030
Payment to the government's housing capital receipts pool	-	-
(Gain)/loss on the disposal of non-current assets	(3,318)	(9,307)
Total Other Operating Expenditure	(1,259)	(7,277)

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2023/24	2022/23
	£000	£000
Interest payable and similar charges	46,677	40,621
Net interest on the net defined benefit liability	(1,277)	9,412
Interest receivable and similar income	(11,399)	(8,214)
Income, expenditure and changes in the fair value of investment properties	57,132	11,336
Total Financing and Investment Income and Expenditure	91,133	53,155

10. TAXATION AND NON-SPECIFIC GRANT INCOME

	2023/24	2022/23
	£000	£000
Council Tax Income	(134,115)	(130,184)
Non-domestic rates income and expenditure	(95,204)	(84,853)
Un-ringfenced government grants	(113,648)	(114,700)
Capital Grants and contributions	(114,279)	(145,371)
Total Taxation and Non-Specific Grant Income	(457,246)	(475,108)

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

General Fund balance

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

Housing Revenue Account balance

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

Major repairs reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS
continued

2023/24	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the capital adjustment account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(44,284)	(46,857)	-	-	-	91,141
Revaluation losses on Property, Plant and Equipment	(84,010)	(135,940)	-	-	-	219,950
Movements in the fair value of Investment Properties	(64,270)	(8,129)	-	-	-	72,399
Capital grants and contributions applied	30,822	63,750	-	-	-	(94,572)
Revenue expenditure funded from capital under statute	(16,936)	(857)	-	-	-	17,793
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(19,702)	(7,360)	-	-	-	27,062
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Provision to reduce the capital financing requirement (minimum revenue provision MRP)	12,615	-	-	-	-	(12,615)
Lease and PFI repayment	7,153	321	-	-	-	(7,474)
Capital expenditure charged against the General Fund and HRA balances	2,612	3,223	-	-	-	(5,835)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	19,706	-	-	-	(19,706)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	82	27,348	-	(27,430)	-	-
Transfer from deferred debtors to usable capital receipts	-	-	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	25,650	-	(25,650)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-	-	-
Adjustments primarily involving the deferred capital receipts reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	2,950	-	-	-	(2,950)
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-
Adjustments primarily involving the Major Repairs Reserve (MRR):						
MRR credited with an amount equal to the depreciation charged to the HRA	-	46,857	(46,857)	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	46,857	-	-	(46,857)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS
continued

2023/24 Continued	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Repayment of premiums	241	824	-	-	-	(1,065)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	740	-	-	-	-	(740)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(31,459)	(8,920)	-	-	-	40,379
Employer's pensions contributions and direct payments to pensioners payable in the year	36,991	10,488	-	-	-	(47,479)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(3,596)	-	-	-	-	3,596
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	1,058	-	-	-	-	(1,058)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	148	(16)	-	-	-	(132)
Adjustments primarily involving the Dedicated schools grant adjustment account:						
Movement of negative Dedicated Schools grant reserve to the DSG adjustment account			-	-	-	-
Total adjustments	(152,089)	(52,318)	-	(1,780)	(19,706)	225,893

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS
continued

2022/23	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the capital adjustment account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(41,261)	(51,708)	-	-	-	92,969
Revaluation losses on Property, Plant and Equipment	(40,232)	(75,347)	-	-	-	115,579
Movements in the fair value of Investment Properties	(25,744)	(1,061)	-	-	-	26,805
Capital grants and contributions applied	27,219	118,151	-	-	-	(145,370)
Revenue expenditure funded from capital under statute	(16,099)	(423)	-	-	-	16,522
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(4,867)	(22,715)	-	-	-	27,582
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Provision to reduce the capital financing requirement (minimum revenue provision MRP)	11,193	-	-	-	-	(11,193)
Lease and PFI repayment	7,084	295	-	-	-	(7,379)
Capital expenditure charged against the General Fund and HRA balances	2,926	15,989	-	-	-	(18,915)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,865	34,024	-	(36,889)	-	-
Transfer from deferred debtors to usable capital receipts	-	-	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	36,582	-	(36,582)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-	-	-
Adjustments primarily involving the deferred capital receipts reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-
Adjustments primarily involving the Major Repairs Reserve (MRR):						
MRR credited with an amount equal to the depreciation charged to the HRA	-	51,708	(51,708)	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	51,708	-	-	(51,708)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS
continued

2022/23 Continued	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Repayment of premiums	241	824	-	-	-	(1,065)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,029)	4,635	-	-	-	(3,606)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(71,690)	(15,094)	-	-	-	86,784
Employer's pensions contributions and direct payments to pensioners payable in the year	35,608	6,421	-	-	-	(42,029)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,326	-	-	-	-	(1,326)
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	25,953	-	-	-	-	(25,953)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	823	347	-	-	-	(1,170)
Adjustments primarily involving the Dedicated schools grant adjustment account:						
Movement of negative Dedicated Schools grant reserve to the DSG adjustment account	-	-	-	-	-	-
Total adjustments	(85,684)	66,046	-	(307)	-	19,945

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12. USABLE RESERVES

Reserves represent the authority's net worth and show its spending power. Usable reserves result from the authority's activities and can be spent in the future. This note sets out the amounts set aside and posted back to Usable Reserves in 2023/24, they include:

- **General Fund Reserve** – to cushion the impact of unexpected events or emergencies
- **Earmarked Reserves** – to provide financing to meet known or predicted future General Fund expenditure plans, and to carryforward revenue grants to meet grant funded revenue projects and commitments
- **School Balances** – amounts set aside for future expenditure in schools
- **HRA Reserves** - amounts specifically required by statute to be set aside and ringfenced for future investment in HRA
- **Capital Reserves** – includes capital receipts and capital grants set aside to finance future capital spending plans

	1 April 2023	Transfer out 2023	Transfer in 2023	31 March 2024	1 April 2022	Transfer out 2022	Transfer in 2022	31 March 2023
	£000	£000	£000	£000	£000	£000	£000	£000
General Fund Reserve	(22,443)	-	-	(22,443)	(22,445)	2	-	(22,443)
Earmarked Reserves:								
Corporate projects and priorities reserves	(39,579)	-	(23,988)	(63,567)	(18,876)	-	(20,703)	(39,579)
Service reviews and improvement reserves	(33,974)	-	(24,364)	(58,338)	(34,554)	580	-	(33,974)
Capital programme and other capital investment reserves	(35,759)	6,005	-	(29,754)	(36,723)	964	-	(35,759)
Strategic financial risk reserves	(59,178)	10,687	-	(48,491)	(65,597)	6,419	-	(59,178)
Technical liabilities and smoothing reserves	(38,910)		(3,385)	(42,295)	(26,618)	-	(12,292)	(38,910)
Covid-19 reserves	(2,473)	2,473	-	-	(25,872)	23,399	-	(2,473)
Revenue grants reserve	(2,617)	270	-	(2,347)	-	-	(2,617)	(2,617)
Total Earmarked Reserves	(212,490)	19,435	(51,737)	(244,792)	(208,240)	31,362	(35,612)	(212,490)
Schools Reserves								
Schools DSG Reserve	(7,184)		(5,753)	(12,937)	-		(7,184)	(7,184)
Schools balances	(13,668)		(1,391)	(15,059)	(14,391)	723	-	(13,668)
Total Schools Reserves	(20,852)	-	(7,144)	(27,996)	(14,391)	723	(7,184)	(20,852)
HRA Reserves								
HRA General Reserve	(19,458)	2,537	-	(16,921)	(26,130)	6,672	-	(19,458)
Major Repairs Reserve	-	46,857	(46,857)	-	-	51,708	(51,708)	-
Total HRA Reserves	(19,458)	49,394	(46,857)	(16,921)	(26,130)	58,380	(51,708)	(19,458)
Capital Reserves								
Capital Receipts Reserve	(100,726)	25,650	(27,430)	(102,506)	(100,419)	36,582	(36,889)	(100,726)
Capital Grants Unapplied Reserve	-	-	(19,706)	(19,706)	-	-	-	-
Total Capital Reserves	(100,726)	25,650	(47,136)	(122,212)	(100,419)	36,582	(36,889)	(100,726)
Total Usable Reserves	(375,969)	94,479	(152,874)	(434,364)	(371,625)	127,049	(131,393)	(375,969)

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STATEMENT OF ACCOUNTS 2023/24

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

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

2023/24	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	*Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	TOTAL PP&E	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value									
Opening balance	3,430,291	1,062,001	131,011	329,173	18,981	36,770	629,934	5,638,161	91,168
Additions	117,902	29,023	15,693	25,741	216	-	225,003	413,578	2,355
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(45,946)	215,364				(13,044)		156,374	
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(130,226)	(105,281)				(4,400)		(239,907)	
Derecognition – Disposals	(4,049)	(15,505)				(3,332)		(22,886)	-
Derecognition – Other							(1,020)	(1,020)	-
Assets reclassified	138,752	36,753				(2,710)	(231,244)	(58,449)	-
Balance as at 31 March 2024	3,506,724	1,222,355	146,704	354,914	19,197	13,284	622,673	5,885,851	93,523
Depreciation and Impairment									
Opening balance	(2)	(10,648)	(87,190)	-	(901)	(3)	(196)	(98,940)	(12,288)
Depreciation charge	(44,594)	(18,480)	(7,544)	(20,485)		(38)		(91,141)	(2,196)
Depreciation written out on revaluations recognised in the Revaluation Reserve	27,110	13,186				35		40,331	(223)
Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services	17,339	2,612				6		19,957	-
Derecognition – Disposals	75	155					-	230	-
Derecognition – Other								-	-
Assets reclassified								-	-
Balance as at 31 March 2024	(72)	(13,175)	(94,734)	(20,485)	(901)	-	(196)	(129,563)	(14,707)
Net Book Value at 31 March 2024	3,506,652	1,209,180	51,970	334,429	18,296	13,284	622,477	5,756,288	78,816

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

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

2022/23	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	*Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	TOTAL PP&E £000	PFI Assets Included in Property, Plant and Equipment £000
Gross Book Value									
Opening balance	3,538,920	1,082,893	115,698	329,983	18,382	42,279	463,354	5,591,509	89,261
Additions	104,961	15,371	15,313	18,767	599	44	220,121	375,176	2,353
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(171,622)	10,248	-	-	-	38	-	(161,336)	(446)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(82,872)	(40,362)				(5,235)		(128,469)	
Derecognition – Disposals	(10,874)	(1,727)					(3,575)	(16,176)	-
Derecognition – Other	240						-	240	-
Assets reclassified	51,538	(4,422)				(356)	(49,966)	(3,206)	-
Balance as at 31 March 2023	3,430,291	1,062,001	131,011	348,750	18,981	36,770	629,934	5,657,738	91,168
Depreciation and Impairment									
Opening balance	(286)	(9,056)	(80,308)	-	(901)	(119)	(196)	(90,866)	(10,359)
Depreciation charge	(50,209)	(16,185)	(6,882)	(19,577)	-	(21)		(92,874)	(2,152)
Depreciation written out on revaluations recognised in the Revaluation Reserve	39,855	11,718				89		51,662	223
Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services	10,483	2,312						12,795	
Derecognition – Disposals	155	238					-	393	-
Derecognition – Other								-	-
Assets reclassified		325				48		373	-
Balance as at 31 March 2023	(2)	(10,648)	(87,190)	(19,577)	(901)	(3)	(196)	(118,517)	(12,288)
Net Book Value at 31 March 2023	3,430,289	1,051,353	43,821	329,173	18,080	36,767	629,738	5,539,221	78,880

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

*Infrastructure assets

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

The valuation of assets, as at 31 March 2024, has been carried out by Cluttons LLP, in accordance with the Statement of Asset Valuation Practices and Guidance Notes of the Royal Institute of Chartered Surveyors. High value assets such as schools are valued every year, Other Land and Buildings (OLB) which are not high value and Surplus Assets are valued at 31 March on a 20% rolling basis to ensure valuation of all assets in this category are within five years. Council dwellings are valued every year at their existing use based on 'Beacon' valuation principles and have a social housing adjustment element to reduce the balance sheet value to 25% of the beacon value, as directed by DLHUC. Additionally, a review of assets under construction as well as general impairments to assets are carried out on an annual basis.

Details on the gross book value of PPE assets and the year of valuations are analysed in the table below:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Asset under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Held at historic cost and at depreciated historic cost	51,538	2,809	146,704	354,914	19,197	151	622,673	1,197,986
Different valuations are applied to different valuation classes								
31 March 2024	3,455,186	1,119,377	-	-	-	10,772	-	4,563,791
31 March 2023	-	11,684	-	-	-	2,460	-	14,144
31 March 2022	-	24,903	-	-	-	11,143	-	36,046
31 March 2021	-	36,795	-	-	-	2,741	-	39,536
31 March 2020	-	26,787	-	-	-	7,561	-	34,348
			-	-	-		-	-
Total Cost or Valuation	3,506,724	1,222,355	146,704	354,914	19,197	13,284	622,673	5,885,851

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STATEMENT OF ACCOUNTS 2023/24

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

At 31 March 2024, the council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2023/24 and future years budgeted to cost £380.1 million. Similar commitments at 31 March 2023 were £423.0 million.

The commitments are as below:

	2023/24	2022/23
	£m	£m
General Fund	29.3	42.1
Housing Revenue Account	350.8	380.9
Total	380.1	423.0

The highest value contractual commitments are:

General Fund

	2023/24	2022/23
	£m	£m
The Charter School East Dulwich	10.3	
Riverside Primary School	10.8	
Canada Water Leisure Centre		20.2
Elephant and Castle, Transport for London works		13.0
Total	21.1	33.2

Housing Revenue Account

	2023/24	2022/23
	£m	£m
Ledbury Towers New Build	175.2	
Tustin Low Rise Works Phase 1	60.6	90.2
Aylesbury FDS PK B New Build	17.7	62.7
Aylesbury H&S Works 23/24 Phase 2	11.5	
Albion New Homes-Construction	9.5	
Kingswood Flat Roof Blocks QHIP		22.9
Albion New Homes-Construction		19.6
Cator Street 2		17.1
Total	274.5	212.5

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

14. INVESTMENT PROPERTIES

The income and expenditure on investment assets was as follows:

	2023/24	2022/23
	£000	£000
Rental income from investment property	(20,920)	(20,589)
Fair value adjustments - (upwards)/downwards revaluation	72,399	26,806
Direct operating expenses arising from investment property	5,653	5,119
Net (gain)/loss included in Financing and Investment Income in CIES	57,132	11,336

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

	2023/24	2022/23
	£000	£000
Balance as at 1 April	313,232	338,164
Additions	1,147	655
Disposals	-	(1,616)
Net gains/(losses) from fair value adjustments	(72,399)	(26,806)
Transfers (to)/from property, plant and equipment (PPE)	39,477	2,835
Balance as at 31 March	281,457	313,232

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

SOUTHWARK COUNCIL
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15a.

ASSETS HELD FOR SALE

	Current		Non-Current	
	2023/24	2022/23	2023/24	2022/23
	£000	£000	£000	£000
Balance at 1 April	16,617	14,531	-	-
Additions	-	12,510	-	-
Transfers (to)/from property, plant and equipment (PPE)	4,703	-	-	-
Revaluation gains/(losses) taken to Surplus or Deficit on the Provision of Services	(2,348)	-	-	-
Assets sold	-	(10,424)	-	-
Balance at 31 March	18,972	16,617	-	-

15b.

INVENTORIES

	2023/24			2022/23		
	Property acquired or constructed for sale	General Stores	Total	Property acquired or constructed for sale	General Stores	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	-	520	520	-	480	480
Purchases	22	-	22	-	40	40
Transfers (to)/from property, plant and equipment (PPE)	14,856	-	14,856	-	-	-
Assets sold or expensed in year	(3,386)	(8)	(3,394)	-	-	-
Balance at 31 March	11,492	512	12,004	-	520	520

The council holds inventories which are made up of 2 types - Property units for sale and General Stores which holds materials for asset management such as public lighting, signs, park, etc and cleaning materials.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

16. CASH AND CASH EQUIVALENTS

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

	31 March 2024 £000	31 March 2023 £000
Cash held by the council	-	-
Short-term funds in money markets	34,490	80,878
Subtotal	34,490	80,878
Bank current accounts (bank overdraft)	(9,416)	(6,225)
Total cash and cash equivalents	25,074	74,653

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

17. DEBTORS

	31 March 2024				31 March 2023			
	GROSS	Impairment	NET	Long-term	GROSS	Impairment	NET	Long-term
	Short-term	Allowance	Short-term	Debtors	Short-term	Allowance	Short-term	Debtors
	Debtors		Debtors	Debtors	Debtors		Debtors	Debtors
	£000	£000	£000	£000	£000	£000	£000	£000
Trade receivables	142,746	(64,753)	77,993	30,887	131,577	(55,791)	75,786	27,496
Central government bodies	39,897	-	39,897	-	34,351	-	34,351	-
Council Tax receivable from taxpayers	44,582	(22,158)	22,424	-	38,289	(20,255)	18,034	-
Housing benefit debtors	18,319	(8,730)	9,589	-	18,694	(9,657)	9,037	-
Non domestic rates receivable from taxpayers	10,526	(6,211)	4,315	-	10,387	(6,247)	4,140	-
Payments in advance	4,654	-	4,654	-	6,220	-	6,220	-
Public bodies	9,802	-	9,802	-	7,345	-	7,345	-
Total	270,526	(101,852)	168,674	30,887	246,863	(91,950)	154,913	27,496

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

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

DEBTORS FOR LOCAL TAXATION

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

Age of debt	31 March 2024			31 March 2023		
	£000	£000	£000	£000	£000	£000
	Council Tax	NNDR	Total	Council Tax	NNDR	Total
Less than 1 year	9,967	3,363	13,330	7,711	2,912	10,623
Between 1 and 2 years	4,883	758	5,641	4,336	1,030	5,366
Between 2 and 3 years	4,132	194	4,326	2,555	198	2,753
More than 3 years	3,442	-	3,442	3,432	-	3,432
Total Council's share	22,424	4,315	26,739	18,034	4,140	22,174

SOUTHWARK COUNCIL
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18. CREDITORS

	31 March 2024		31 March 2023	
	Short-term Creditors	Long-term Creditors	Short-term Creditors	Long-term Creditors
	£000	£000	£000	£000
Trade payables	(130,195)	(6,175)	(109,639)	(6,703)
Central government bodies	(17,410)		(38,680)	-
Council Tax refundable to taxpayers	(7,161)		(6,318)	-
Non domestic rates refundable to taxpayers	(13,258)		(11,360)	-
Employee Benefits	(6,810)		(6,942)	-
PFI finance lease liability	(5,450)		(5,118)	-
Public bodies	(21,625)		(24,367)	-
Receipts in advance	(32,062)		(44,956)	-
Total	(233,971)	(6,175)	(247,380)	(6,703)

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

The reduction in Central government bodies of £19.5m is exclusively due to returning Section 31 grant to DLUHC which represents the difference in what was estimated versus what was due to Southwark in 22-23 (accrued for in 23-24). The only other material change (£12.9m) in creditors was in the Receipts in advance category, mostly due to £9.3m of S106 Employment Fund and S106 SCIL Residential Funds carried forward.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

19. PROVISIONS

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

2023/24	1 April 2023	Increase	Utilised	31 March
	£000	during year £000	during year £000	2024 £000
Long-term provisions				
Insurance provision	(9,031)	-	2,347	(6,684)
Water refund provision	(953)	-	-	(953)
Business rates appeals	(9,406)	-	9,313	(93)
Employee remuneration related	-	-	-	-
Southwark Business Services employment terms	(759)	-	19	(740)
Public Health	(1,476)	-	1,476	-
Housing & Modernisation provisions	(377)	-	291	(86)
Civil refunds	(356)	-	-	(356)
Other	(112)	-	60	(52)
Total Long-term provisions	(22,470)	-	13,506	(8,964)
Short-term provisions				
Business rates appeals	(510)	(5,414)	-	(5,924)
Southwark Business Services employment terms	-	-	-	-
Total Short-term provisions	(510)	(5,414)	-	(5,924)

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

SOUTHWARK COUNCIL
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20. DEDICATED SCHOOLS GRANT

The council's expenditure on schools is funded primarily by grant provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department for Education to fund academy schools in the council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2013. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2023/24 are as follows:

	Central Expenditure	Individual Schools Budgets	Total	Total
			2023/24	2022/23
	£000	£000	£000	£000
Final DSG before academy and high needs figure recoupment			(374,449)	(360,251)
Academy and High needs figure recouped			171,560	157,695
Total DSG after academy and high needs figure recoupment			(202,889)	(202,556)
Plus: Brought forward from previous year			(7,184)	-
Less: Carry-forward agreed in advance			7,184	-
Agreed initial budgeted distribution for the year	(75,027)	(127,862)	(202,889)	(202,556)
In year adjustments	(4,422)	-	(4,422)	(9,072)
Final budget distribution for the year	(79,449)	(127,862)	(207,311)	(211,628)
Less: Actual central expenditure	73,696	-	73,696	69,886
Less: Actual ISB deployed to schools	-	127,862	127,862	134,558
Plus: Local authority contribution	-	-	-	-
In-year Carry-forward (Surplus)/Deficit	(5,753)	-	(5,753)	(7,184)
Plus: Carry-forward agreed in advance			(7,184)	-
Carry-forward Deficit			(12,937)	(7,184)
DSG unusable reserve as at 1 April			21,651	21,651
Addition to DSG unusable reserve during the year			-	-
Total of DSG unusable reserve as at 31 March (Note 23)			21,651	21,651
Net DSG position as at 31 March			8,714	14,467

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

The in-year surplus of £5.753m has been transferred to the usable reserve account per accounting regulation, although, the unusable reserve balance total remains at £21.651m. The usable and unusable reserve balances is tabled below:

Per Note 12 Usable Reserve and Note 23 Unusable Reserves	2023/24	2022/23
Dedicated Schools Grant balances	£000	£000
DSG unusable reserve as at 1 April	21,651	21,651
Addition to DSG unusable reserve during the year	-	-
Total of DSG unusable reserve as at 31 March (Note 23)	21,651	21,651
DSG usable reserve as at 1 April	(7,184)	-
Addition to DSG usable reserve during the year	(5,753)	(7,184)
Total of DSG usable reserve as at 31 March (Note 12)	(12,937)	(7,184)
Dedicated Schools Grant net accumulated balance	8,714	14,467

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

21. GRANT INCOME

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

	2023/24	2022/23
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Capital grants and contributions	(114,279)	(145,371)
Revenue support grant	(42,175)	(37,776)
Business rates top up	(38,470)	(39,518)
Business rates relief/section 31 grants	(26,645)	(22,948)
Covid-19 general funding	-	-
New homes bonus	(1,672)	(5,113)
Lower tier support grant	(4,686)	(9,345)
Covid-19 tax income guarantee	-	-
Sub total	(227,927)	(260,071)
Credited to Provision of Services		
Dedicated Schools grant	(205,242)	(209,005)
Housing Benefits Subsidy - rent rebates granted to housing revenue account tenants	(66,120)	(63,482)
Housing Benefits Subsidy - rent allowances	(54,214)	(52,575)
Public Health	(30,466)	(29,504)
Housing Benefits Subsidy - non-housing revenue account rent rebates	(19,552)	(20,825)
Better Care Fund	(20,255)	(19,170)
Improved Better Care Fund	(17,847)	(17,847)
Social Care Support grant	(27,648)	(17,776)
The Private Finance Initiative (PFI)	(9,935)	(9,935)
Pupil Premium grant	(10,059)	(10,336)
Homelessness prevention grant	(7,203)	(6,413)
Market Sustainability Grant	(6,067)	-
Other grants individually less than £5 million	(64,656)	(68,669)
Sub total	(539,264)	(525,537)
Total	(767,191)	(785,608)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

21. GRANT INCOME continued

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

	2023/24	2022/23
	£000	£000
Balance as at 1 April	(207,812)	(121,931)
New capital grants received in advance	(80,474)	(231,252)
Amounts released to the CIES (conditions met)	114,279	145,371
Balance as at 31 March	(174,007)	(207,812)

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

	2023/24	2022/23
	£000	£000
Planning Gains	(98,105)	(108,887)
Schools	(1,144)	(1,821)
Transport for London (TFL)	-	(1,198)
Education	-	(12,538)
New Homes	(68,209)	(73,132)
Disabled facilities grant (DLUHC)	-	(2,279)
Other grants	(6,549)	(7,957)
Balance as at 31 March	(174,007)	(207,812)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

22. POOLED BUDGETS

Better Care Fund (BCF)

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

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

	2023/24		2022/23	
	£000	£000	£000	£000
Funding Provided to the Pooled Budget:				
· Council	(22,183)		(19,533)	
· Integrated Care Board (ICB)	(32,183)		(26,592)	
		(54,366)		(46,125)
Expenditure met from the pooled budget:				
· Council	43,726		38,703	
· Integrated Care Board (ICB)	10,640		7,422	
		54,366		46,125
Net (surplus)/deficit arising on the pooled budget		-		-

Integrated Community Equipment Store (ICES)

Southwark council and the NHS SEL ICB also operate pooled fund arrangements for an integrated community equipment service. The council is the lead authority for the arrangement. Expenditure met from the pooled budget was £3.10m in 2023/24 (£2.41m in 2022/23).

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

23. UNUSABLE RESERVES

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

	2023/24	2022/23
	£000	£000
Capital Adjustment Account	(2,335,610)	(2,555,028)
Revaluation Reserve	(2,009,699)	(1,840,816)
Pensions Reserve	(62)	(138)
Collection Fund Adjustment Account	9,769	7,230
Financial Instruments Adjustment Account	11,427	23,368
Dedicated Schools Grant Adjustment Account	21,651	21,651
Accumulating Absences Adjustment Account	6,810	6,942
Financial Instruments Revaluation Reserve	236	(235)
Deferred Capital Receipts Reserve	(2,950)	-
Total unusable reserves	(4,298,428)	(4,337,026)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

23. UNUSABLE RESERVES continued

Capital Adjustment Account

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

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

	2023/24		2022/23	
	£000	£000	£000	£000
Balance at 1 April		(2,555,028)		(2,522,356)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	91,141		92,969	
Revaluation losses on Property Plant & Equipment and AHFS	219,950		115,579	
Revenue expenditure funded from capital under statute	17,793		16,522	
Movements in the market value of Investment Properties	72,399		26,805	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	27,062		27,582	
		428,345		279,457
Adjusting amounts written out of the revaluation reserve for disposals and restatements	(7,999)		(11,585)	
Adjusting amounts written out of the Revaluation Reserve for the difference between fair value depreciation and historical cost depreciation	(18,061)		(29,397)	
Net written out amount of the cost of non current assets consumed in the year		(26,060)		(40,982)
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	(25,650)		(36,582)	
Use of the Major Repairs Reserve to finance new capital expenditure	(46,857)		(51,708)	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(94,572)		(145,370)	
Provision for the financing of capital investment charged against the General Fund and HRA balances	(20,089)		(18,572)	
Capital expenditure charged against the General Fund and HRA balances	(5,834)		(18,915)	
Adjustment between FIAA and CAA	10,135		-	
		(182,867)		(271,147)
Balance at 31 March		(2,335,610)		(2,555,028)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

23. UNUSABLE RESERVES continued

Revaluation reserve

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

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

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

	2023/24		2022/23	
	£000	£000	£000	£000
Balance at 1 April		(1,840,816)		(1,991,470)
Upward revaluation of assets	(345,052)		(149,891)	
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of Services	150,108		259,565	
Total of surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of Services		(194,944)		109,674
Adjusting amounts written to the Capital Adjustment Account for disposals and restatements		8,000		11,584
Difference between fair value depreciation and historical cost depreciation		18,061		29,396
Balance at 31 March		(2,009,699)		(1,840,816)

Pensions Reserve

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

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

	2023/24	2022/23
	£000	£000
Balance at 1 April	(138)	368,540
<i>IAS19 report balance adjustment</i>	-	2,812
Remeasurements of the net defined benefit liability	7,176	(416,245)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	40,379	86,784
Employer's pension contributions and direct payments payable to pensioners in the year	(47,479)	(42,029)
Balance at 31 March	(62)	(138)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

23. UNUSABLE RESERVES continued

Collection Fund Adjustment Account

	2023/24	2022/23
	£000	£000
Balance at 1 April	7,230	34,509
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	2,538	(27,279)
Balance at 31 March	9,768	7,230

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

Collection Fund Adjustment Account - Council Tax		
	2023/24	2022/23
	£000	£000
Balance at 1 April	995	2,321
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3,596	(1,326)
Balance at 31 March	4,591	995

Collection Fund Adjustment Account - Business Rates		
	2023/24	2022/23
	£000	£000
Balance at 1 April	6,235	32,188
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	(1,058)	(25,953)
Balance at 31 March	5,177	6,235

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

23. UNUSABLE RESERVES continued

Financial instruments adjustment account

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

Amongst the transactions on this account are premiums paid on the early redemption of loans; premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out to the Movement in Reserves Statement. Over time the expense is posted back to the Movement in Reserves Statement in accordance with statutory arrangements for spreading the burden on council tax.

	2023/24	2022/23
	£000	£000
Balance at 1 April	23,368	28,039
Adjustment between FIAA and CAA	(10,135)	-
Proportion of premiums to be charged against the General Fund Balance in accordance with statutory requirements	(1,065)	(1,065)
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(740)	(3,606)
Balance at 31 March	11,428	23,368

Dedicated Schools Grant Adjustment Account

	2023/24	2022/23
	£000	£000
Balance at 1 April	21,651	21,651
Transfer of the opening dedicated schools grant deficit from the DSG reserve (earmarked usable reserve) to the DSG adjustment account.	-	-
In year dedicated schools grant deficit	-	-
Balance at 31 March	21,651	21,651

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

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

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

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

23. UNUSABLE RESERVES continued

Accumulating Absences Adjustment Account

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

	2023/24	2022/23
	£000	£000
Balance at 1 April	6,942	8,112
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(132)	(1,170)
Balance at 31 March	6,810	6,942

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

24. CASH FLOW FROM OPERATING ACTIVITIES

	2023/24	2022/23
	£000	£000
Adjustment to surplus or deficit on the provision of services for non cash movement:		
Depreciation and impairment of non-current assets	91,141	92,969
Upward/(downward) revaluations	292,349	142,383
Increase/(decrease) in impairment for credit losses (bad debts)	9,902	6,231
Increase/(decrease) in creditors	(13,607)	(53,846)
(Increase)/decrease in debtors	(27,053)	29,265
(Increase)/decrease in inventories	8	(40)
Movement in pension liability	(7,100)	44,755
Increase/(decrease) in provisions	(8,092)	(1,064)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	27,062	27,582
Other non-cash items charged to the net surplus or deficit on the provision of services	1,217	108
Total	365,827	288,343

	2023/24	2022/23
	£000	£000
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(27,430)	(36,889)
Capital grants included in Taxation and non-specific grant income	(114,278)	(145,370)
Total	(141,708)	(182,259)

The cash flows from operating activities include the following amounts:

	2023/24	2022/23
	£000	£000
Interest received	(11,399)	(8,214)
Interest paid	46,677	40,621
Net interest	35,278	32,407

25. CASH FLOW FROM INVESTING ACTIVITIES

	2023/24	2022/23
	£000	£000
Purchase of PP&E, Investment Property and Intangible Assets	(414,747)	(388,341)
Proceeds from the sale of Property, Plant and equipment, investment property and intangible assets	27,430	36,889
Proceeds from sale of short-term investments (not considered to be cash equivalents)	109,637	(32,008)
Capital grants and contributions received	80,473	231,251
Net cash flows from Investing Activities	(197,207)	(152,209)

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

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

26. CASH FLOW FROM FINANCING ACTIVITIES

	2023/24	2022/23
	£000	£000
Cash payments for the reduction of the outstanding liability relating to a finance lease and on-balance-sheet PFI contracts	(7,473)	(7,380)
Cash receipts of short and long-term borrowing	103,480	192,349
Repayments of short and long term borrowing	(5,000)	(96,042)
Net Cash flows from Financing Activities	91,007	88,927

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

	Long-term borrowings £000	Short-term borrowings £000	Lease liabilities £000	Total £000
Opening balance as at 1 April 2022	(702,471)	(199,180)	(81,471)	(983,122)
Financing cash flows	(192,349)	96,042	7,380	(88,927)
Non-financing cash flows	-	-	(2,353)	(2,353)
Closing balance as at 31 March 2023	(894,820)	(103,138)	(76,444)	(1,074,402)
Opening balance as at 1 April 2023	(894,820)	(103,138)	(76,444)	(1,074,402)
Financing cash flows:				
Repayment	-	5,000	7,473	12,473
Proceeds	(72,074)	(31,406)		(103,480)
Subtotal	(72,074)	(26,406)	7,473	(91,007)
Non-financing cash flows:				
Acquisition			(2,355)	(2,355)
Fair value				-
Reclassification				-
Subtotal	-	-	(2,355)	(2,355)
Closing balance as at 31 March 2024	(966,894)	(129,544)	(71,326)	(1,167,764)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

28. EXTERNAL AUDIT COSTS

	2023/24	2022/23
	£000	£000
Fees payable for external audit services carried out by the appointed auditor for the year (PSAA scale fee)	556	196
Additional fees payable for external audit services carried out by the appointed auditor (per ISA 260 report, subject to PSAA approval)		139
Total external audit fees	556	335
Fees payable to the appointed auditor for the certification of grant claims and returns for the year	62	148
Fees payable in respect of other non-audit services not covered above		10
Total non audit fees	62	158
Total fees payable to external auditor	618	493

29. MEMBERS' ALLOWANCES

The amount of members' allowances and expenses paid in 2023/24 was £1,580,794 (£1,383,827 in 2022/23).

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

30. OFFICERS' REMUNERATION

In accordance with regulation, it is necessary to report on the remuneration of senior employees. Senior employees are defined as those who are members of the Chief Officer Team or whose remuneration is £150,000 or more per year (annualised if part-time).

The following table sets out this information for both 2023/24 and 2022/23.

Post-holder	2023/24			2022/23		
	Remuneration	Compensation for Loss of Office	Council's contributions to the Pension Fund	Remuneration	Compensation for Loss of Office	Council's contributions to the Pension Fund
	£	£	£	£	£	£
Chief Executive - A Loderick	230,368	-	47,225	191,046		35,152
Chief Executive				60,743		11,177
Strategic Director of Children's and Adults' Services - D Quirk-Thornton	203,301	-	41,677	199,320		36,675
Strategic Director of Finance - C Palfreyman	173,012	-	35,467			
Strategic Director of Finance	29,315	113,435	6,010	199,413		36,692
Strategic Director of Housing	15,378	-	3,152			
Strategic Director of Housing - M Scorer	171,496	30,000	35,157	199,320		36,675
Strategic Director of Environment, Neighbourhoods & Growth	26,677	-	5,469			
Strategic Director of Environment, Neighbourhoods & Growth - C Bruce	206,444	-	42,321	186,840		34,379
Director of Children and Families - A Smith	165,885	-	34,006	158,281		29,124
Director of Public Health	136,574	-	27,998	129,677		23,861
Assistant Chief Executive, Governance & Assurance - D Forrester-Brown	153,914	-	31,552	143,870		26,472
Assistant Chief Executive, Strategy and Communities	142,565	-	29,226	120,718		22,212
Managing Director of Southwark Construction - S Davis	157,619	-	32,312			
Director of Asset Management - D Hodgson	157,619	-	32,312			

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

Remuneration figures represent gross pay for the post-holder before that individual's personal contributions to the Southwark Pension Fund. They include basic salary plus any contracted additions paid during the financial year. Senior officers who worked part-time or part of the year have been included based on annualised pay.

Notes on related 2023/24 figures:

- The previous Chief Executive E Kelly left the council in May 2022, and replaced by A Loderick.
- The Strategic Director of Finance left in May 2023 to be replaced by the Strategic Director of Finance C Palfreyman in the same period.
- The Strategic Director of Housing M Scorer left in September 2023 to be replaced in March 2024.
- The Strategic Director of Environment, Neighbourhoods & Growth C Bruce left in February 2024 and was replaced in the same period.
- The Managing Director of Southwark Construction S Davis and the Director of Asset Management D Hodgson are included in the senior officer note for the first time. Their respective comparatives for 2022/23 were:
 - Remuneration £152,814, Employer Pensions Contribution £31,327
 - Remuneration £152,814, Employer Pensions Contribution £31,327

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

30. OFFICERS' REMUNERATION continued

During 2023/24 the council employed staff whose taxable remuneration, including payment on termination of employment was £50,000 or more for the year. The numbers of these employees, excluding the senior officers in the table above, is shown below in bands of £5,000:

Number of employees 2022/23			Band (£)	Number of employees 2023/24		
Schools	Non schools	Total		Schools	Non schools	Total
308	147	455	50,000 - 54,999	111	482	593
243	84	327	55,000 - 59,999	172	312	484
54	66	120	60,000 - 64,999	60	77	137
52	39	91	65,000 - 69,999	53	60	113
64	32	96	70,000 - 74,999	33	83	116
8	23	31	75,000 - 79,999	29	17	46
28	12	40	80,000 - 84,999	26	25	51
15	19	34	85,000 - 89,999	15	15	30
12	7	19	90,000 - 94,999	18	14	32
2	11	13	95,000 - 99,999	5	16	21
19	4	23	100,000 - 104,999	6	3	9
1	2	3	105,000 - 109,999	9	10	19
4	1	5	110,000 - 114,999	1	3	4
-	1	1	115,000 - 119,999	1	2	3
-	-	-	120,000 - 124,999	-	2	2
3	1	4	125,000 - 129,999	1	-	1
3	1	4	130,000 - 134,999	-	-	-
1	-	1	135,000 - 139,999	1	3	4
3	-	3	140,000 - 144,999	1	3	4
-	-	-	145,000 - 149,999	-	3	3
2	-	2	150,000 - 154,999	-	-	-
-	-	-	155,000 - 159,999	-	-	-
1	-	1	160,000 - 164,999	-	-	-
823	450	1,273	Total	542	1,130	1,672

For the financial year 2023/24, the total number of non-school employees whose earnings exceeded £100,000 per annum (excluding payments on termination of employments) was 30 (for 2022/23 was 37).

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

31. TERMINATION BENEFITS

Exit package cost band	Number of exit packages		Number of exit packages		Total number of exit packages		Total cost of exit packages by band	
	Schools		Non-schools		2023/24	2022/23	2023/24	2022/23
	2023/24	2022/23	2023/24	2022/23				
	No. staff	No. staff	No. staff	No. staff	No. staff	No. staff	£000	£000
£0 - £20,000	53	21	7	26	60	47	530	249
£20,001 - £40,000	12	1	7	9	19	10	642	276
£40,001 - £60,000	1	1	3	1	4	2	202	96
£60,001 - £80,000	2		3	2	5	2	425	138
£80,001 - £100,000	2		1	1	3	1	321	90
£100,001 - £150,000		-	4	-	4	-	485	-
£150,001 - £200,000		-	4	-	4	-	638	-
£200,001 - £300,000		-	2	-	2	-	469	-
Total	70	23	31	39	101	62	3,712	849

Eight compulsory redundancies were made by schools in 2023/24 totalling £190,822 with 5 within the £0 to £20,000 exit package band, 2 in the £20,001 to £40,000 band and 1 in the £40,001 to £60,000 band (2022-23 five compulsory redundancies totalling £66,045).

Note that in some cases bands have been amalgamated in order to ensure that individual exit packages cannot be recognised by comparing number of packages to the total cost of packages in a band.

32. RELATED PARTY TRANSACTIONS

The authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority.

Government Organisations and Other Public Bodies

Central government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates and provides the majority of its funding. Grants received from government departments during the year and receipts outstanding at 31 March 2024 are set out in note 21 to the accounts.

Members and chief officers

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2023/24 is shown in note 29. Information regarding reportable transactions has been collated by requiring all members and chief officers to declare any related party transactions. A review of the register of members' interests has been conducted, including the register of declarations at committee meetings.

Related party interests for which transactions exist for financial outflows in 2023/24 were declared by 12 councillors and no submission from chief officers (9 and 0 respectively in 2022/23):

- with voluntary bodies or charitable organisations that received funding totalling an estimated value of £0.4 million (£0.1 million in 2022/23):
- with businesses or other organisations that have contracted for goods and services with the council to the estimated value of £3.8 million (£4.0 million in 2022/23):

Related party interests for which transactions exist for financial inflows in 2023/24 were declared by 4 councillors and no submission from chief officers (9 and 0 respectively in 2022/23):

- from voluntary bodies or charitable organisations that the council have contracted for goods and services to the estimated value of £0.0 million (£0.0 million in 2022/23):
- from businesses or other organisations that the council have contracted for goods and services to the estimated value of £0.5 million (£0.0 million in 2022/23):

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

Pensions

The council is the administering authority of the Pension Fund. The council charged the fund £0.8 million (£0.9 million in 2022/23) for expenses incurred in administering the Pension Fund which is included within the Statement of Accounts.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2023/24	2022/23
	£000	£000
Opening Capital Financing Requirement	1,503,065	1,362,956
Adjustment to opening balance*	-	4,678
Revised Opening Capital Financing Requirement	1,503,065	1,367,634
Capital Investment		
Property, Plant & Equipment (including assets held for sale)	413,600	387,686
Revenue expenditure funded from capital under statute (REFCUS)	17,793	16,522
Long-term debtors		1,715
Investment property	1,147	655
Total capital investment	432,540	406,578
Sources of capital finance		
Capital receipts	(25,650)	(36,582)
Government grants and other contributions	(94,572)	(145,370)
Direct revenue contributions	(5,834)	(18,915)
Major Repairs Reserve	(46,857)	(51,708)
Minimum revenue provision (MRP) / loans fund principal	(20,089)	(18,572)
Total capital investment financed	(193,002)	(271,147)
Closing Capital Financing Requirement	1,742,603	1,503,065
Explanation of movement		
Increase in underlying need to borrow	237,183	137,756
Assets acquired under private finance initiative (PFI) contracts	2,355	2,353
Net movement in year	239,538	140,109

*The opening CFR balance had to be adjusted slightly to take account of errors and omissions from prior years.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

34. LEASES

The council as Lessee – operating leases

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

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

	2023/24	2022/23
	£000	£000
Minimum lease payments	2,537	2,267
Less sub-lease payments	(569)	(460)
Total	1,968	1,807

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

	2023/24	2022/23
	£000	£000
Within 1 year	1,570	1,399
Within 2 to 5 years	3,384	1,949
After 5 years	7,440	6,488
Total	12,394	9,836

The council as Lessor – operating leases

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

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

	31/03/2024	31/03/2023
Period due	£000	£000
Within 1 year	16,498	17,420
Within 2 to 5 years	51,310	55,242
After 5 years	62,162	65,887
Total due	129,970	138,549

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

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

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

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

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

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

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

- St Michael's is a new build secondary (academy) school, which became operational in January 2011. The school has been built and is operated over a 25 year contract by 4 Futures Ltd, the majority shareholder of which is Amber Infrastructure Limited.
- St Thomas is a new build secondary (voluntary aided) school, which became operational in February 2012. The school has been built and is operated over a 25 year contract by 4 Futures Ltd, the majority shareholder of which is Amber Infrastructure Limited.
- Sacred Heart Catholic School is a new build secondary (academy) school, which became operational in September 2014. The school has been built and is operated over a 25 year contract by 4 Futures Ltd, the majority shareholder of which is Amber Infrastructure Limited.
- In February 2008 the council entered into a 25-year PFI contract with Veolia Environmental Services for the collection and disposal of waste in the borough. Veolia are to provide high specification facilities to receive transfer and treat waste under the PFI contract from a facility at Old Kent Road, a site the council has leased to the company since September 2008. The integrated waste management facility at the Old Kent Road became operational in February 2012. The £682 million contract has enabled the council to deliver government targets for waste minimisation, landfill diversion and recycling.
- In July 2013 the council entered into the Heat Supply PFI Arrangement with Veolia, which involved the contractor putting in place piping and associated facilities to deliver heating to council residents and related services in order to fulfil the council's mandate of delivering services to the public. The heat supply arrangement became operational in November 2013.

Even though the council has the obligation to make payments under PFI arrangements to 4 Futures Ltd for operating the three above schools and reimbursement of the capital expense incurred, the council does not have an interest in the assets.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS continued

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

	St Michael's Catholic College £000	St Thomas the Apostle College £000	Sacred Heart Catholic School £000	Integrated Waste Management Facility £000	Heating Supply Arrangement £000	Total £000
Opening balance as at 1 April 2022	(12,849)	(16,769)	(16,107)	(31,787)	(3,959)	(81,471)
New liability incurred				(2,252)	(101)	(2,353)
Repayments made in year	243	701	649	5,493	294	7,380
Closing balance as at 31 March 2023	(12,606)	(16,068)	(15,458)	(28,546)	(3,766)	(76,444)
Opening balance as at 1 April 2023	(12,606)	(16,068)	(15,458)	(28,546)	(3,766)	(76,444)
New liability incurred				(2,251)	(104)	(2,355)
Repayments made in year	640	594	453	5,466	320	7,473
Closing balance as at 31 March 2024	(11,966)	(15,474)	(15,005)	(25,331)	(3,550)	(71,326)

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

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Total £000
Net Book Value at 1 April 2022	59,772	14,893	4,237	78,902
Additions		2,252	101	2,353
Depreciation & Impairment	(899)	(1,051)	(202)	(2,152)
Revaluation	(223)	-	-	(223)
Net Book Value at 1 April 2023	58,650	16,094	4,136	78,880
Net Book Value at 1 April 2024	58,650	16,094	4,136	78,880
Additions	-	2,251	104	2,355
Depreciation & Impairment	(933)	(1,056)	(207)	(2,196)
Revaluations	(223)	-	-	(223)
Net Book Value at 1 April 2024	57,494	17,289	4,033	78,816

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS continued

The projected payments under the agreements are as follows:

	1 year	2-5 years	6-10 years	11-15 years	16-20 years	Total
	£000	£000	£000	£000	£000	£000
St Michael's Catholic College						
Liability	(490)	(2,643)	(5,779)	(3,054)	-	(11,966)
Interest	(1,516)	(5,462)	(5,353)	(491)	-	(12,822)
Service Charges	(810)	(3,289)	(5,030)	(1,780)	-	(10,909)
St Thomas the Apostle College						
Liability	(796)	(3,119)	(7,046)	(4,513)		(15,474)
Interest	(1,623)	(5,693)	(4,587)	(726)		(12,629)
Service Charges	(320)	(1,380)	(1,998)	(661)		(4,359)
Lifecycle Payments	(82)	(887)	(1,069)	(622)		(2,660)
Sacred Heart Catholic School						
Liability	(746)	(2,842)	(6,083)	(5,334)		(15,005)
Interest	(1,503)	(5,339)	(4,488)	(1,030)		(12,360)
Service Charges	(514)	(2,217)	(3,173)	(2,685)		(8,589)
Lifecycle Payments	(59)	(682)	(956)	(1,213)		(2,910)
Integrated Waste Management Facility						
Liability	(3,175)	(11,717)	(10,439)	-		(25,331)
Interest	(1,423)	(4,345)	(2,088)	-		(7,856)
Service Charges	(23,156)	(97,881)	(108,860)	-		(229,897)
Lifecycle Payments	(2,252)	(13,662)	(14,152)	-		(30,066)
Heat Supply Arrangement						
Liability	(243)	(1,290)	(2,017)			(3,550)
Interest	(436)	(1,424)	(696)			(2,556)
Service Charges	(1,412)	(6,012)	(6,636)			(14,060)
Lifecycle Payments	(107)	(455)	(503)			(1,065)

36. OTHER LONG-TERM LIABILITIES

	31 March 2024	31 March 2023
	£000	£000
Payments due under PFI schemes and similar arrangements:		
St Michaels Catholic college	(11,476)	(11,966)
St Thomas the Apostle College	(14,678)	(15,474)
Sacred Heart Catholic school	(14,259)	(15,005)
Integrated waste Management Facility	(22,156)	(25,331)
Heat Supply Arrangement	(3,307)	(3,550)
Total	(65,876)	(71,326)

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

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

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

In 2023/24 the council paid £12.6m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.6% of pensionable pay (£13.1m and 23.6% respectively in 2022/23). In 2023/24 the employer contribution rate was 20.7% of pensionable pay (including levy).

The council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 38.

38. DEFINED BENEFIT PENSION SCHEMES

Participation in the Local Authority Pension Scheme

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

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

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

38. DEFINED BENEFIT PENSION SCHEMES continued

Transactions relating to post employment benefits

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

	2023/24			2022/23		
	Council £000	LPFA £000	Total £000	Council £000	LPFA £000	Total £000
Comprehensive Income and Expenditure Statement						
Cost of services:						
- Current service cost	38,700	153	38,853	76,500	272	76,772
- Past service costs	2,700	103	2,803	600	-	600
Financing and investment income and expenditure:						
- Net interest expense/(income)	(1,200)	(77)	(1,277)	9,800	(388)	9,412
Total post employment benefit charged to the surplus or deficit on the provision of services	40,200	179	40,379	86,900	(116)	86,784
Other comprehensive income and expenditure:						
Remeasurement of the net defined benefit liability comprising						
- IAS19 report balance adjustment			-	(23,435)	(14,848)	(38,283)
- Return on plan assets (excluding amount included in the net interest expense)	(124,400)	(2,734)	(127,134)	147,700	(280)	147,420
- Actuarial gains and losses arising on changes in demographic assumptions	(28,500)	(530)	(29,030)	-	(1,655)	(1,655)
- Actuarial gains and losses arising on changes in financial assumptions	(59,100)	(80)	(59,180)	(885,400)	(14,341)	(899,741)
- Actuarial gains and losses arising on changes in liability experience	18,800	123	18,923	206,700	4,690	211,390
- Other actuarial gains and losses on assets	200,300	3,297	203,597	140,895	26,541	167,436
Total remeasurements in other comprehensive income and expenditure	7,100	76	7,176	(413,540)	107	(413,433)
Total post employment benefit charged to the comprehensive income and expenditure statement	47,300	255	47,555	(326,640)	(9)	(326,649)

	2023/24			2022/23		
	Council £000	LPFA £000	Total £000	Council £000	LPFA £000	Total £000
Movement in reserves statement						
- Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	(40,200)	(179)	(40,379)	(86,900)	116	(86,784)
Actual amount charged against the General Fund Balance for pensions in the year:						
- Employers' contributions payable to the scheme	47,300	179	47,479	41,900	129	42,029
Net adjustment between accounting basis and funding basis under regulations	7,100	-	7,100	(45,000)	245	(44,755)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

38. DEFINED BENEFIT PENSION SCHEMES continued

Pensions assets and liabilities recognised in the balance sheet

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

	2023/24			2022/23		
	Council £000	LPFA £000	Total £000	Council £000	LPFA £000	Total £000
Fair value of plan assets	2,176,000	70,344	2,246,344	1,972,095	66,884	2,038,979
Less Present value of defined benefit obligation	(1,828,200)	(38,961)	(1,867,161)	(1,831,200)	(40,101)	(1,871,301)
Net surplus/(liability) arising from defined benefit obligation pre asset-ceiling	347,800	31,383	379,183	140,895	26,783	167,678
Less asset ceiling under IFRIC 14 assessment	(347,800)	(31,321)	(379,121)	(140,895)	(26,645)	(167,540)
Net (liability) arising from defined benefit obligation post asset-ceiling	-	62	62	-	138	138

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

	2023/24			2022/23		
	Council £000	LPFA £000	Total £000	Council £000	LPFA £000	Total £000
Opening balance at 1 April	1,972,095	66,884	2,038,979	2,055,660	67,328	2,122,988
<i>IAS19 report balance adjustment</i>	5		5	23,435	-	23,435
Interest income on assets	92,500	3,391	95,891	54,900	1,718	56,618
Remeasurement gains/(losses) on assets	124,400	2,734	127,134	(147,700)	280	(147,420)
Other actuarial gains/(losses)	-	-	-	-	104	104
Administration expenses	-	(20)	(20)	-	(20)	(20)
Employer contributions	47,300	179	47,479	41,900	129	42,029
Contribution by participants	15,000	41	15,041	14,100	43	14,143
Contribution by admitted bodies	700	-	700	700	-	700
Net benefits paid out	(76,000)	(2,865)	(78,865)	(70,900)	(2,698)	(73,598)
Closing balance at 31 March	2,176,000	70,344	2,246,344	1,972,095	66,884	2,038,979

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

	2023/24			2022/23		
	Council £000	LPFA £000	Total £000	Council £000	LPFA £000	Total £000
Opening balance at 1 April	(1,831,200)	(40,101)	(1,871,301)	(2,424,200)	(52,480)	(2,476,680)
Current service cost	(38,700)	(133)	(38,833)	(76,500)	(252)	(76,752)
Interest cost	(84,700)	(1,935)	(86,635)	(64,700)	(1,330)	(66,030)
Contribution by admitted bodies	(700)	-	(700)	(700)	-	(700)
Contributions by scheme participants	(15,000)	(41)	(15,041)	(14,100)	(43)	(14,143)
Change in financial assumptions	59,100	80	59,180	885,400	14,341	899,741
Change in demographic assumptions	28,500	530	29,030	-	1,655	1,655
Experience loss/(gain) on defined benefit obligation	(18,800)	(123)	(18,923)	(206,700)	(4,690)	(211,390)
Benefits paid	76,000	2,865	78,865	70,900	2,698	73,598
Past service costs	(2,700)	(103)	(2,803)	(600)	-	(600)
Closing balance at 31 March	(1,828,200)	(38,961)	(1,867,161)	(1,831,200)	(40,101)	(1,871,301)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

38. DEFINED BENEFIT PENSION SCHEMES continued

Scheme assets comprised:

	2023/24			2022/23		
	Council £000	LPFA £000	Total £000	Council £000	LPFA £000	Total £000
Quoted						
- Equities	1,122,816	42,591	1,165,407	988,672	39,332	1,028,004
- Government bonds	156,672		156,672	142,894	-	142,894
- Corporate bonds	108,800		108,800	177,652	-	177,652
- Target return portfolio	106,624	12,135	118,759	-	12,436	12,436
- Other	8,704		8,704	30,896	-	30,896
Subtotal	1,503,616	54,726	1,558,342	1,340,114	51,768	1,391,882
Unquoted						
- Equities	47,872		47,872	46,344	-	46,344
- Infrastructure	-	8,081	8,081	-	8,463	8,463
- Property	298,112	6,435	304,547	293,512	6,568	300,080
- Cash	69,632	1,102	70,734	75,309	85	75,394
- Other	256,768		256,768	175,721	-	175,721
Subtotal	672,384	15,618	688,002	590,886	15,116	606,002
<i>IAS19 report balance adjustment</i>		-	-	41,095	-	41,095
Total	2,176,000	70,344	2,246,344	1,972,095	66,884	2,038,979

Basis for estimating assets and liabilities

The scheme assets, as shown above, are those attributable to the council from its membership of the Local Government Pension Scheme (LGPS) for both the London borough of Southwark Pension Fund and the London Pension Fund Authority (LPFA). The value of the assets is provided by fund actuaries. The LGPS valuation is based on asset values at 31 March 2024. The LPFA actuary uses market values at 31 January 2024, then indexed for market movements to arrive at a valuation for 31 March 2024.

Liabilities for the council and LPFA schemes have been assessed by Aon Hewitt and Barnett Waddingham respectively. Both have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. The estimates are based on data relating to the latest full valuations as at 31 March 2022 and rolled forward.

Principal assumptions used by the actuaries

	Council		LPFA	
	2023/24	2022/23	2023/24	2022/23
Mortality assumptions				
Longevity at 65 for current pensioners				
- Men (years)	21.0	21.6	19.9	20.2
- Women (years)	23.8	24.2	23.2	23.4
Longevity at 45 for future pensioners				
- Men (years)	22.3	22.9	21.4	21.7
- Women (years)	25.2	25.7	24.9	25.2
Principal financial assumptions				
- Rate of inflation CPI	2.6%	2.7%	3.0%	2.9%
- Rate of increase in salaries	4.1%	4.2%	4.0%	3.9%
- Rate of increase in pensions	2.6%	2.7%	3.0%	2.9%
- Rate of pension accounts revaluation	2.6%	2.7%	0.0%	0.0%
- Rate for discounting scheme liabilities	4.8%	4.7%	4.9%	4.8%

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

38. DEFINED BENEFIT PENSION SCHEMES continued

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

Assumption	Impact of increase			Impact of decrease		
	Council	LPFA	Total	Council	LPFA	Total
	£000	£000	£000	£000	£000	£000
Present value of total obligation						
Longevity (+/- 1 Year)	1,875,700	41,340	1,917,040	1,782,500	36,733	1,819,233
Rate of increase in salaries (+/- 0.1%)	1,830,000	38,971	1,868,971	1,826,400	38,951	1,865,351
Rate of increase in pensions (+/- 0.1%)	1,855,600	39,338	1,894,938	1,802,600	38,590	1,841,190
Rate for discounting scheme liabilities (+/- 0.1%)	1,800,800	38,587	1,839,387	1,857,500	39,342	1,896,842
Projected service cost						
Longevity (+/- 1 Year)	38,200	143	38,343	35,400	133	35,533
Rate of increase in salaries (+/- 0.1%)	36,800	138	36,938	36,800	138	36,938
Rate of increase in pensions (+/- 0.1%)	38,300	140	38,440	35,300	136	35,436
Rate for discounting scheme liabilities (+/- 0.1%)	35,300	136	35,436	38,300	141	38,441

Impact on the council's cash flows

The objective of the schemes are to achieve a funding level of 100%, with funding levels monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2022. The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total obligation of £1,867m (£1,871m at 31 March 2023) has a substantial impact on the net worth of the council as recorded in the Balance Sheet, resulting in a net asset of £62k (asset of £138k at 31 March 2023). The surplus recognised in the balance sheet was restricted by £347.8m (2022/23 £140.9m) on council's scheme and by £31.3m (2022/23 £26.6m) on LPFA scheme, under paragraph 64 of IAS19 / IFRIC 14 assessment.

As members of the Local Government Pension Scheme, both the council and LPFA schemes have taken account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the act, the Local Government's Pension Scheme may not provide final salary scheme benefits in relation to service after 31 March 2014. The act provides for scheme regulations to be made within common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The anticipated service cost in 2024/25 is £36.80m for the council scheme and £0.14m for the LPFA scheme. The weighted average duration of the defined benefit obligation for the council scheme members is 15.5 years (15.9 years 2022/23) and 10 years for LPFA scheme members (10 years 2022/23).

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

39. FINANCIAL INSTRUMENTS

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

Financial Liabilities

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

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

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

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

	Long Term		Short Term		Total	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	£000	£000	£000	£000	£000	£000
Borrowings						
At amortised cost	(966,894)	(894,821)	(129,544)	(103,138)	(1,096,438)	(997,959)
Cash and Cash Equivalents						
Bank overdraft at amortised cost		-	(9,416)	(6,225)	(9,416)	(6,225)
PFI and Other liabilities						
At amortised cost	(65,876)	(71,326)	(5,450)	(5,118)	(71,326)	(76,444)
Creditors						
At amortised cost	(6,175)	(6,703)	(130,195)	(109,639)	(136,370)	(116,342)
Total Financial Liabilities	(1,038,945)	(972,850)	(274,605)	(224,120)	(1,313,550)	(1,196,970)
Non-Financial Liabilities			(98,326)	(132,623)	(98,326)	(132,623)
Total	(1,038,945)	(972,850)	(372,931)	(356,743)	(1,411,876)	(1,329,593)

The total short-term borrowing includes £53.4m (£33.1m at 31 March 2023) representing accrued interest and principal payments due within 12 months on long-term borrowing.

The creditors lines in the balance sheet include £98.3m (£132.6m at 31 March 2023) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

39. FINANCIAL INSTRUMENTS continued

Financial Assets

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

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

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

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

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

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

- money market funds managed by three fund managers.

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

	Long Term		Short Term		Total	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	£000	£000	£000	£000	£000	£000
Investments						
At fair value through other comprehensive income	11,304	13,822	16,524	95,047	27,828	108,869
At amortised cost	-	-	1,678	30,273	1,678	30,273
Total Investments	11,304	13,822	18,202	125,320	29,506	139,142
Cash and Cash Equivalents						
At fair value through profit and loss	-	-	34,490	80,878	34,490	80,878
Debtors						
Trade receivables at amortised cost	30,887	27,496	77,993	75,786	108,880	103,282
Total Financial Assets	42,191	41,318	130,685	281,984	172,876	323,302
Non-Financial Assets						
	-	-	90,681	79,127	90,681	79,127
Total	42,191	41,318	221,366	361,111	263,557	402,429

The short-term debtors line on the balance sheet include £90.7m (£79.1m at 31 March 2023) debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

39. FINANCIAL INSTRUMENTS continued

Financial Instruments – Gains and Losses

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

	2023/24					2022/23				
	Financial Liabilities at amortised cost £000	Financial Assets at amortised cost £000	fair value through other comprehensive income £000	Financial Assets at fair value through profit or loss £000	Total £000	Financial Liabilities at amortised cost £000	Financial Assets at amortised cost £000	fair value through other comprehensive income £000	Financial Assets at fair value through profit or loss £000	Total £000
Interest expense	46,494				46,494	40,327	-		-	40,327
Other charges	183				183	294	-		-	294
Total expenses in surplus or deficit on the provision of services	46,677		-	-	46,677	40,621	-		-	40,621
Interest Income		(4,509)	(2,028)	(4,862)	(11,399)	-	(4,344)	(1,376)	(2,494)	(8,214)
Total income in surplus or deficit on the provision of services	-	(4,509)	(2,028)	(4,862)	(11,399)	-	(4,344)	(1,376)	(2,494)	(8,214)
Surplus/(deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-		473	-	473	-	-	(606)	-	(606)
Net (gain)/loss for the year	46,677	(4,509)	(1,555)	(4,862)	35,751	40,621	(4,344)	(1,982)	(2,494)	31,801

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STATEMENT OF ACCOUNTS 2023/24

40. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

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

The main risks covered are:

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

Credit risk - investments

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

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

The council's exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally, as the risk of any institution failing to make interest repayments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at 31 March 2024 that this was likely to crystallise.

The maximum exposure to credit risk is represented by the sums held in investments. The maturity and ratings of investments held at 31 March 2024 is set out below:

	£000				%			
	A	AA	AAA	Total	A	AA	AAA	Total
	£000	£000	£000	£000	%	%	%	%
Up to 1 year	7,160	5,374	39,897	52,431	11.3%	8.4%	62.6%	82.3%
1 - 2 years	502	1,994	3,206	5,702	0.8%	3.1%	5.0%	8.9%
2 - 5 years	1,974	3,429	460	5,863	3.1%	5.4%	0.3%	8.8%
Total investments	9,636	10,797	43,563	63,996	15.2%	16.9%	67.9%	100.0%

40. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS continued**Credit risk - receivables**

Trade receivables arise from the provision of goods and services and the carrying out of the council's functions. The credit quality of debtors is reflected in the level of the impairment allowance for trade debtors shown in note 17.

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

Liquidity risk

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

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

The maturity analysis of principal sums borrowed is as follows:

	2023/24	2022/23
	£000	£000
Less than 1 year	(118,409)	(85,565)
Between 1 and 5 years	(130,653)	(122,736)
Between 5 and 10 years	(157,253)	(101,853)
Between 10 and 20 years	(79,218)	(75,354)
Over 20 years	(599,770)	(605,361)
Total	(1,085,303)	(990,869)

Market risk

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

Outstanding long-term council debt at 31 March 2024 is primarily from the PWLB with short-term borrowing from other local authorities. The debt is at fixed rates, with an average maturity of 19.4 years (23.0 years at 31 March 2023). The maturity profile of the debt is shown in the table above. The council may draw further loans from the PWLB if needed. A 1% rise in discount rates at Balance Sheet date would lower the fair value by £85m. As the debt is held at amortised cost there would be no impact on the Comprehensive Income and Expenditure Statement from such a change, unless the debt was extinguished. Legislation would then require a charge to be taken to the financial instruments adjustment account.

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

The overall weighted average life of council's investments is 1.05 years. Within that, the weighted average life of investments measured at fair value through other comprehensive income is 1.11 years. A 1% change in discount rates on these investments would change the fair value by £0.8m and would be reflected in other comprehensive income or the surplus or deficit on the provision of services as appropriate.

SOUTHWARK COUNCIL
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41. FAIR VALUE - ASSETS AND LIABILITIES

Fair value - basis of valuation

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

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

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

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

41. FAIR VALUE - ASSETS AND LIABILITIES continued

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

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

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

Level 3 inputs – Fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

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

	Fair value level	31 March 2024		31 March 2023	
		Balance Sheet £000	Fair value £000	Balance Sheet £000	Fair value £000
Financial liabilities held at amortised cost:					
Long term loans from PWLB	2	(1,014,463)	(826,882)	(914,689)	(720,088)
Other long-term loans	2	(5,841)	(3,864)	(6,179)	(3,969)
Private finance initiative liabilities	2	(71,326)	(92,127)	(76,444)	(97,383)
Subtotal		(1,091,630)	(922,873)	(997,312)	(821,440)
Liabilities for which fair value is not disclosed		(320,246)		(332,281)	
Total financial liabilities		(1,411,876)		(1,329,593)	
Recorded on balance sheet as:					
Short-term creditors		(228,521)		(242,262)	
Short-term borrowing		(129,544)		(103,138)	
Short-term PFI liabilities		(5,450)		(5,118)	
Bank overdraft		(9,416)		(6,225)	
Long-term creditors		(6,175)		(6,703)	
Long-term borrowing		(966,894)		(894,821)	
Other long-term liabilities		(65,876)		(71,326)	
Total financial liabilities		(1,411,876)		(1,329,593)	

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

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

41. FAIR VALUE - ASSETS AND LIABILITIES continued

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

	Fair value level	31 March 2024		31 March 2023	
		Balance Sheet	Fair value	Balance Sheet	Fair value
		£000	£000	£000	£000
Financial assets held at fair value:					
Money market funds	1	34,490	34,490	80,878	80,878
Corporate, covered and government bonds	1	29,506	29,506	139,142	139,142
Subtotal		63,996	63,996	220,020	220,020
Assets for which fair value is not disclosed		199,561		182,409	
Total financial liabilities		263,557		402,429	
Recorded on balance sheet as:					
Short-term debtors		168,674		154,913	
Short-term investments		18,202		125,320	
Long-term debtors		30,887		27,496	
Long-term investments		11,304		13,822	
Cash and cash equivalents		34,490		80,878	
Total financial assets		263,557		402,429	

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

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24**42. CONTINGENT LIABILITIES**

A contingent liability is recognised when there is uncertainty about an obligation arising from a past event which might have otherwise supported a creditor or provision being recognised on the balance sheet. The existence of the obligation will only be confirmed by the occurrence or non-occurrence of future events that might not be within the council's control. Alternatively there might be uncertainty about the timing or amount of outflow of resources connected to the obligation which means it cannot be recognised as a creditor or provision in the accounts. In either case a contingent liability is disclosed in a note to the accounts.

i) As a result of ongoing reviews and investigations the council anticipates that it might have to pay significant sums in order to fulfil its duties in relation to building safety. Said reviews and investigations concern building safety across several sites in the borough including Devon Mansions, Canada Estate, and Kingswood as detailed in published documents from Southwark's Overview and Scrutiny Committee. The timing and amount of these amounts is uncertain and therefore a contingent liability is being disclosed.

43. CONTINGENT ASSETS

A contingent asset arises from past events that will give rise to economic inflow. The existence of the asset will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the council. Given this uncertainty an asset is not recognised on the balance sheet but is disclosed in a note to the accounts.

i) The council has contractual agreements with developers for overage whereby a proportion of profits made on certain projects above an agreed threshold will be paid to the council. In connection with two sites within the Aylesbury Estate development and a site within the Queens Road development the council considers that there is a good prospect that it could receive substantial amounts as part of these overage arrangements, depending on future events, for which a rough estimate can be made. In connection with sites within the Canada Water, Nunhead Green, and Penrose Street developments the council considers that there is a fair prospect that it could receive overage but it cannot currently make any estimate of amounts.

ii) The council has several other agreements relating to housing and other projects in the borough, including development agreements, shared profit, and shared equity agreements. The council could be in line to receive significant sums depending on various uncertain future events.

iii) The council is currently in negotiations with a former major contractor of its leisure services and anticipates that a sum could be due to the authority at the conclusion of negotiations. While the amount can be estimated the transaction will only occur as a result of various uncertain future events which are not wholly within the council's control.



SUPPLEMENTARY FINANCIAL STATEMENTS 2023/24

Housing Revenue Accounts

Collection Fund Account

Pension Fund Account



HOUSING REVENUE ACCOUNT 2023/24

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT

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

	Note	2023/24	2022/23
		£000	£000
Income			
Dwelling Rents		(222,356)	(207,652)
Non-dwelling rents		(6,682)	(6,233)
Charges for services and facilities		(76,727)	(68,981)
Contributions towards expenditure		(1,627)	(2,512)
Total Income		(307,392)	(285,378)
Expenditure			
Repairs and maintenance		75,931	62,429
Supervision and management		145,591	135,352
Rents, rates, taxes and other charges		13,640	9,375
Depreciation, impairment and revaluation losses of non-current assets	3	182,797	127,054
Debt management costs		356	323
Increase in provisions for bad debts		3,352	2,001
Revenue expenditure funded from capital under statute	4	857	423
Total expenditure		422,524	336,957
Net cost of HRA Services included in the Comprehensive Income and Expenditure Statement		115,132	51,579
HRA share of Corporate and Democratic Core		1,106	1,106
Net Cost of HRA Services		116,238	52,685
Gains and losses on the sales of HRA non-current assets		(22,938)	(11,309)
Interest payable and similar charges		33,440	27,538
Interest and investment income		(9,365)	(6,720)
Income, expenditure and changes in the fair value of investment properties	14	1,512	(5,064)
Pensions interest cost and expected return on pensions assets		(282)	1,647
Capital grants and contributions receivable		(63,750)	(118,151)
Total (surplus)/deficit for the year		54,855	(59,374)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

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

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

	Note	2023/24	2022/23
		£000	£000
(Surplus)/deficit for the year on HRA services		54,855	(59,374)
Adjustments between accounting basis and funding basis under regulations	5	(52,318)	66,046
(Increase)/decrease in the HRA Balance		2,537	6,672
HRA Balance brought forward		(19,458)	(26,130)
Balance carried forward	6	(16,921)	(19,458)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

NOTES TO THE HOUSING REVENUE ACCOUNT STATEMENTS

1. THE HOUSING REVENUE ACCOUNT (HRA)

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

2. ANALYSIS OF HOUSING STOCK BY TYPE OF DWELLING

Type of Dwelling		Number of bedrooms				Total	Total
		1	2	3+	Other	31 March 2024	31 March 2023
Houses and bungalows	31 March 2024	362	721	2,889	-	3,972	
	31 March 2023	367	719	2,884	-		3,970
Low rise flats	31 March 2024	2,728	614	383	-	3,725	
	31 March 2023	2,753	618	374	-		3,745
Medium rise flats	31 March 2024	6,600	7,187	6,181	-	19,968	
	31 March 2023	6,604	7,148	6,168	-		19,920
High rise flats	31 March 2024	2,713	4,540	1,751	-	9,004	
	31 March 2023	2,715	4,709	1,727	-		9,151
Non-permanent	31 March 2024	-	-	-	-	-	
	31 March 2023	-	-	-	-	-	-
Multi-occupied	31 March 2024	-	-	-	96	96	
	31 March 2023	-	-	-	96		96
TOTALS	31 March 2024	12,403	13,062	11,204	96	36,765	
TOTALS	31 March 2023	12,439	13,194	11,153	96		36,882

In addition to the numbers shown in the table above, as at 31 March 2024 there were also 1,043 void properties (881 at 31 March 2023). These are mostly decanted properties within the major redevelopment projects currently underway; but whilst having been made secure, they have not yet been demolished.

The vacant possession value of buildings as at 31 March 2024 was £13.2bn (£14.0bn as at 31 March 2023). The difference between the vacant possession value and Balance Sheet value of dwellings within the HRA shows the economic cost to the government of providing council housing at less than market rents.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

3. DEPRECIATION AND REVALUATION CHARGES

	2023/24	2022/23
	£000	£000
Dwellings depreciation	44,594	50,210
Other property depreciation	2,263	1,498
Revaluation losses on non-current assets	135,940	75,346
Total	182,797	127,054

4. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

REFCUS is a class of expenditure that may meet statutory definitions of capital expenditure, but is of a nature that is not consistent with the accounting standards definitions of additions to Property Plant and Equipment. Examples include expenditure incurred on assets that are not owned by the council, often referred to as a capital grant. Expenditure is charged to the Income and Expenditure Account as it arises, but is then charged to the Capital Adjustment Account to be financed from capital resources. For the HRA this expenditure would include cash incentive payments (grants to tenants as an incentive to vacate their properties and purchase private accommodation), and statutory home loss payments where the council necessarily relocates tenants to other accommodation.

In 2023/24 £0.857 million was incurred in the HRA as REFCUS (£0.423 million in 2022/23).

5. MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE, NET ADDITIONAL AMOUNTS REQUIRED BY STATUTE

The following table shows Items included in the HRA Income and Expenditure Account but which are excluded from the movement on HRA Balance for the year:

	2023/24	2022/23
	£000	£000
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	824	5,459
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(16)	347
Gain or loss on the sale of HRA non current assets	22,938	11,309
HRA share of contributions to or from the Pensions Reserve	1,568	(8,673)
Capital expenditure funded by the HRA	3,223	15,989
Transfer to/from the Major Repairs Reserve	46,857	51,708
Transfer to/from the Capital Adjustment Account	(127,712)	(10,093)
Net additional amount required by statute to be charged to the HRA	(52,318)	66,046

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

6. HRA BALANCE

HRA reserves as at 31 March 2024 of £16.921 million (£19.458 million as at 31 March 2023) are allocated as follows:

	31 March 2024	31 March 2023
	£000	£000
Modernisation, Service and Operational Improvement Reserve	-	(350)
Financial Risk Reserve	(16,921)	(19,108)
Total	(16,921)	(19,458)

The financial risk reserve, £16.9m, includes £7.5m contingency, broadly representing 2.3% of gross HRA revenue spend and housing investment programme spend. The reserve also provides £1.3m to self-insure against the risks of subsidence and significant fire damage to the council's housing stock, £0.4m for estate parking and £5.6m relating to debt financing. There is also a residents participation reserve of £0.7m. The repairs and maintenance transformation is £0.3m and the great estates reserve remains at £0.3m. The HRA operational reserve has been reduced to £0.3m. There is an additional £0.6m for Discretionary Housing Payments.

7. MAJOR REPAIRS RESERVE

	2023/24	2022/23
	£000	£000
Balance 1 April	-	-
Transfers from the Capital Adjustment Account	(46,857)	(51,708)
Transfer to (from) the HRA	-	-
Financing of capital expenditure	46,857	51,708
Balance 31 March	-	-

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

8. CAPITAL EXPENDITURE AND FINANCING

	2023/24	2022/23
	£000	£000
Capital Investment		
Non-current assets	330,351	316,537
REFCUS	857	423
Total	331,208	316,960
Funding Source:		
Revenue contributions	(3,223)	(15,989)
Capital receipts from the sales of assets	(25,568)	(33,716)
Grants and other contributions	(63,750)	(118,151)
Major Repairs Reserve	(46,857)	(51,708)
Borrowing	(191,810)	(97,396)
Total	(331,208)	(316,960)

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

	2023/24	2022/23
	£000	£000
Council dwellings		
Right to Buy	(11,273)	(23,834)
Non Right to Buy	(5,727)	(10,061)
Other receipts		
Land sales	(10,345)	(124)
Mortgages	(3)	(4)
Sub total	(27,348)	(34,023)
Less: Pooled (paid to central Government)	-	-
Total	(27,348)	(34,023)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

10. HOUSING TENANTS ACCOUNTS

	2023/24	2022/23
	£000	£000
Gross arrears as at 1 April	31,279	29,633
Prior year payments	(13,845)	(14,322)
Arrears as at 1 April	17,434	15,311
Charges due in the year	263,954	240,148
Rent rebates	(66,325)	(63,590)
Write-offs	(2,155)	(609)
Adjustments	(7,331)	(8,243)
Cash collected	(184,498)	(165,583)
Net arrears as at 31 March	21,079	17,434
Payments in advance	13,539	13,845
Gross arrears as at 31 March	34,618	31,279

The arrears position comprises all dwelling stock and non-residential properties, hostels and Browning Estate Management Board. It excludes temporary accommodation, i.e. bed and breakfast, private sector leasing, and travellers' sites, as these are General Fund services.

11. IMPAIRMENT OF DEBTORS

	2023/24	2022/23
	£000	£000
Rents	(18,605)	(15,799)
Income from hostels	(2,216)	(1,550)
Court costs	(900)	(882)
Commercial rents	(3,710)	(3,495)
Penalty Charge Notices and parking warrants	(4,687)	(4,532)
Total	(30,118)	(26,258)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

12. PENSIONS COSTS

The HRA is charged with the costs of pensions for its employees in accordance with IAS 19. The costs are then reversed out of the HRA to the Pensions Reserve. The values have no net effect on rents or other HRA income.

The apportionment of charges to the HRA under IAS 19 is based on the ratio of employer payroll costs incurred by the council for staff charged to the HRA against those employed for the council as a whole. This apportionment is also applied to actuarially assessed items such as pensions interest cost, the expected return on pension assets, and actuarial gains and losses.

	2023/24	2022/23
	£000	£000
Current service cost less contributions	(1,286)	7,027
Interest on pension scheme liabilities	(282)	1,647
Actuarial (gains)/losses	1,585	(72,796)
Movement on the Pensions Reserve	17	(64,122)
Add Pension contributions attributable to the HRA	10,488	6,421
Total IAS 19 charges	10,505	(57,701)

13. WATER CHARGES

In March 2016, the High Court (Chancery Division) found that the council had been overcharging a tenant for water supplies via Thames Water, contrary to the Water Resale Order 2006. Refunds to current and former tenants commenced in 2016-17, and the council made appropriate provision in its accounts for this purpose. This process has continued during subsequent years, with the amount provided for reduced accordingly. The balance on the water refund provision as at 31 March 2024 was £0.953m (31 March 2023 was £0.953m).

Under the terms of the Water Resale Order 2006, the refunds are net of a daily administrative charge, but inclusive of interest at a rate determined by the regulations.

14. INCOME, EXPENDITURE AND CHANGES IN THE FAIR VALUE OF INVESTMENT PROPERTIES

This disclosure identifies expenditure, rental/investment income and changes in the fair value of HRA shops and other HRA assets classified on the balance sheet as investment properties.

The net gain/(loss) included in the HRA Income and Expenditure Statement in 2023/24 is £-1.512m (net gain of £5.064m in 2022/23).



**COLLECTION FUND ACCOUNT
2023/24**

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

COLLECTION FUND

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund account. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates (NDR).

INCOME AND EXPENDITURE ACCOUNT

	Notes	Council Tax £000	Business Rates £000	Business Rates Supplement £000	2023/24 £000	2022/23 £000
Income						
Income from Council Tax	1	(183,252)			(183,252)	(173,028)
Transfer from the General Fund		(319)			(319)	(267)
Income from Business Rates	2		(282,756)		(282,756)	(286,044)
Transitional protection payments from DLUHC			(24,226)		(24,226)	-
Income from Business Rate Supplement (BRS)	3			(9,959)	(9,959)	(9,953)
Contribution from preceptors towards previous years	4	-	(17,555)		(17,555)	(83,022)
Collection Fund deficit						
Total Income		(183,571)	(324,537)	(9,959)	(518,067)	(552,314)
Expenditure						
Precepts and Demands						
Greater London Authority (GLA)		47,397			47,397	42,434
London Borough of Southwark		137,426			137,426	128,608
Share of Business Rates						
Greater London Authority (GLA)			122,609		122,609	103,363
London Borough of Southwark			99,412		99,412	83,807
Department of Levelling Up, Housing and Communities (DLUHC)			109,354		109,354	92,188
Transitional protection payment to DLUHC			-		-	1,299
Cost of Collection allowance (NNDR)			761		761	752
Business Rate Supplement (BRS):						
Payment to GLA	3			9,942	9,942	9,938
Administrative costs				17	17	15
Council Tax impairment of debts:						
Increase/(decrease) allowance for non-collection		2,822			2,822	3,330
Write Offs		399			399	(3,155)
NDR Impairment of debts & appeals:						
Increase/(decrease) allowance for non-collection			(119)		(119)	1,243
Write Offs			1,987		1,987	3,061
Provision for appeals	5		(12,993)		(12,993)	(3,157)
Contribution to preceptors towards previous years	4	410	-		410	342
Collection Fund surplus						
Total Expenditure		188,454	321,011	9,959	519,424	464,068
Net deficit/(surplus) for the year		4,883	(3,526)	-	1,357	(88,246)
Deficit/(surplus) at 1 April		1,311	20,784	-	22,095	110,341
Deficit/(Surplus) at 31 March		6,194	17,258	-	23,452	22,095

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

Council tax is a property-based tax, which is assessed on the value of residential property. For this purpose, the Valuation Office Agency (VoA) has set residential properties into eight valuation bands (A to H) using estimated market value at 1 April 1991. The council tax charges are calculated by estimating the amount of income required from the Collection Fund by the council and preceptors for the forthcoming year, and dividing this by the council tax base, which is the estimated total number of properties liable to tax, expressed as a band D equivalent.

In 2023/24 the estimated income required from all preceptors for the Collection Fund was £184.8m (2022/23 £171.0m). The amount of council tax for a band D property was £1,692.92 in 2023/24 inclusive of the GLA precept (2022/23 £1,594.54) and is multiplied by the ratio specified for the particular band to give the council tax due from properties in those bands. The 2023/24 council tax base after allowing for adjustments for non-collection (97.2% collection rate) was 109,174.

The table below shows how the council tax base was set and the resulting band D council tax:

Band	Estimated number of properties after discounts		Ratio	Equivalent number of band D properties	
	2023/24	2022/23		2023/24	2022/23
A	8,289	7,736	6/9	5,526	5,157
B	27,418	26,690	7/9	21,325	20,759
C	27,579	27,230	8/9	24,515	24,204
D	22,381	22,085	1	22,381	22,085
E	16,832	16,558	11/9	20,573	20,237
F	6,552	6,511	13/9	9,464	9,405
G	4,203	4,177	15/9	7,005	6,962
H	765	774	18/9	1,530	1,548
Total	114,019	111,760		112,319	110,357
Less adjustment for collection rate				(3,145)	(3,090)
Council Tax Base for year				109,174	107,267
Estimated Income Required from Collection Fund				£ 184,822,848	£ 171,041,523
Band D Council Tax				£ 1,692.92	£ 1,594.54

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

2. NON-DOMESTIC RATES

Non-domestic rates (NDR), known as business rates are collected from local businesses by the council. From 1 April 2013 the business rates retention scheme was introduced nationally.

For 2023/24, the regulations meant the council could retain 30% business rates income, with the remainder allocated to the Greater London Authority at 37% and the Department of Levelling Up, Housing and Communities (DLUHC) 33%.

Business rates are based on local rateable values set by the Valuation Office Agency (VoA) and a multiplier set by central government (DLUHC). The non-domestic rating multiplier and the small business non-domestic rating multiplier for England in 2023/24 were:

- i) the standard multiplier was 51.2p (2022/23 51.2p)
- ii) the small business multiplier was 49.9p (2022/23 49.9p)

Local businesses pay NDR calculated by multiplying their rateable value (RV) by the appropriate multiplier and subtracting any relevant reliefs. The total VoA rateable value in Southwark at 31 March 2024 was £815.4m (at 31 March 2023 £755.2m).

3. BUSINESS RATE SUPPLEMENT

Business rate supplements (BRS) are collected from local businesses by the council, on behalf of the GLA for the Crossrail project in London. For 2023/24, the levy remains set at 2p per pound of rateable value (RV), (unchanged since its inception in 2010) on non-domestic properties with a rateable value greater than £75,000. The threshold increased from £70,000 to £75,000 in 2023/24, reflecting the impact of the 2023 business rates revaluation.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

4. CONTRIBUTION TO/FROM PRECEPTORS OF THE PREVIOUS YEAR'S ESTIMATED COLLECTION FUND SURPLUS/DEFICIT

As a billing authority, the council is required to make an estimate of the surplus or deficit for the Collection Fund; for council tax by the 15 January and for non-domestic rates by 31 January each year. The estimated surplus or deficit is used in setting the council tax for the following year, by reducing council tax if there is a surplus or increasing council tax if there is a deficit. In January 2023, the Council estimated a council tax surplus of £0.409m and NDR deficit of £17.555m for 2022/23, as follows:

	Council Tax £000	Business Rates £000	Total £000
(Surplus) / Deficit as at 31 March 2022	3,047	107,294	110,341
Estimated in-year (surplus)/deficit for 2022/23	(3,456)	(89,739)	(93,195)
Estimated (surplus) / deficit as at 31 March 2023	(409)	17,555	17,146

The estimated surplus for council tax was apportioned between the council and the GLA based on their respective demands and precepts on the Collection Fund, and the estimated deficit for business rates was apportioned between the council, the GLA and DLUHC as follows:

Authority	Council Tax		Business Rates		Total £000
	%	£000	%	£000	
Southwark Council	74	(285)	30	5,267	4,982
Greater London Authority	26	(124)	37	6,495	6,371
Central Government			33	5,793	5,793
Estimated (surplus) / deficit for 2022/23 redistributed in 2023/24		(409)		17,555	17,146

5. PROVISION FOR BUSINESS RATE APPEALS

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

As at 31 March 2024, 406 appeals cases remain unsettled and outstanding with the VoA. Following the 2023 revaluation, a check, challenge, and appeals policy was introduced by central government to reform the business rates appeals system applicable to the new rating list effective on 1 April 2023. The check and challenge system is designed to make the business rates appeals assessment and application process more stringent to reduce the level of unsubstantiated appeals lodged with the VoA.

The provision for alteration of lists and appeals as at 31 March 2024 is £20m (£33m as at 31 March 2023), a decrease of £13.0m based on consideration of recent case law, potential unlogged appeals cases and other factors including check and challenge cases information from the VoA - Southwark council's share being £6m.

Share of provision	Southwark Council			DLUHC	Total
	30%	37%	33%		
	£m	£m	£m	£m	
2023/24	6.0	7.4	6.6	20.0	
2022/23	9.9	12.2	10.9	33.0	



PENSION FUND ACCOUNT 2023/24

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

LONDON BOROUGH OF SOUTHWARK PENSION FUND STATEMENT OF ACCOUNTS

FUND ACCOUNT

	Note	2023-24		2022-23	
		£000	£000	£000	£000
Dealings with members, employers and others directly involved in the fund					
Contributions	7	(68,208)		(62,575)	
Transfers in from other pension funds	8	(5,489)		(3,285)	
Subtotal			(73,697)		(65,860)
Benefits	9	74,953		71,702	
Payments to and on account of leavers	10	5,994		4,322	
Subtotal			80,947		76,024
Net reduction/(addition) from dealing with members of the fund			7,250		10,164
Management expenses	11		13,530		11,785
Net additions including fund management expenses			20,780		21,949
Returns on investments					
Investment income	12	(23,939)		(18,488)	
Taxes on income	12	(489)		520	
Profit and losses on disposal of investments and changes in market value of investments	14a	(163,886)		79,281	
Net return on investments			(188,314)		61,313
Net (increase)/decrease in the net assets available for benefits during the year			(167,534)		83,262
Opening net assets of the scheme			(2,060,487)		(2,143,749)
Net assets of the scheme available to fund benefits as at 31 March			(2,228,021)		(2,060,487)

NET ASSETS STATEMENT

	Note		31 March 2024 £000		31 March 2023 £000
Long Term Investments			150		150
Investment assets	14		2,221,061		2,039,131
Total Net Investments			2,221,211		2,039,281
Current assets	21		15,226		28,849
Current liabilities	22		(8,417)		(7,644)
Net assets of the scheme available to fund benefits as at 31 March			2,228,021		2,060,487

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The estimated actuarial present value of promised retirement benefits is disclosed at note 19.

NOTES TO THE PENSION FUND STATEMENTS**1. DESCRIPTION OF THE FUND**

The Pension Fund (the fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Southwark Council (the council).

The following description of the fund is a summary only. For more detail, reference should be made to the pension fund annual report and the underlying statutory powers underpinning the scheme, namely the Public Service Pension Act 2013 and the LGPS Regulations.

a) General

The scheme is governed by the Public Service Pension Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

It is a contributory defined benefit scheme that provides pensions and other benefits for former employees of the council and other admitted organisations.

The overall investment strategy is the responsibility of the council as the administering authority of the fund. This responsibility is delegated to the Strategic Director of Finance, taking account of the advice of the Pensions Advisory Panel. In line with the provisions of the Public Services Pensions Act 2013, the council has set up a Local Pension Board to assist the council in its role as scheme manager of the Pension Fund. The board meets on a quarterly basis and has its own terms of reference. Board members are independent of the Pensions Advisory Panel.

A list of participating organisations and their contributions for the financial year is included within the pension fund annual report. This is available from the council website.

b) Membership

Membership of LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the fund include:

- Scheduled bodies, which are largely academies and similar bodies whose staff are automatically entitled to be members of the fund
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

A list of participating organisations and their contributions for the financial year is included within the pension fund annual report. This is available from the council website.

Membership details for the fund are set out below:

	31 March 2024	31 March 2023
Number of contributors to the fund	8,808	7,647
Number of contributors and dependants receiving allowances	8,738	8,512
Number of contributors who have deferred their pensions	8,860	9,032
Total contributors	26,406	25,191

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employee contributions are matched by employers' contributions, which are set in accordance with the triennial actuarial funding valuations, the last being at 31 March 2022. For the 2023-24 financial year primary employer contribution rates ranged from 18.3% to 28.9% of pensionable pay, plus additional deficit payments where appropriate.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014 the scheme became a career average scheme.

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

	Service pre 1 April 2008	Service post 31 March 2008	From 1 April 2014
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary	Each year worked is accrued at 1/49 of pensionable pay for the year
Lump sum	Automatic lump sum of 3 x pension. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	

In August 2023, the pension fund made a self-declaration to the Pensions Regulator with regard to the late processing and issuance of member Annual Benefit Statements, due to issues with data migration to the new Pensions Administration system. The Pensions Regulator was informed of the plans to rectify and agreed no further action past these plans were required. These statements were then issued in tranches, with the final statements issued in January 2024.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

2. BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 2023-24 financial year and its position at year-end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

a) Contributions income

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

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- ☐ Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Scheme Regulations. Individual transfers in or out are accounted for when received or paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their **additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in employee contributions**. Bulk group transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

c) Investment income

- i) Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.
- ii) Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current investment asset.
- iii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current investment asset.
- iv) Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.
- v) Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits and or losses during the year.

d) Fund account – benefits payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the council discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

Administrative Expenses	All administrative expenses are accounted for on an accruals basis. All staff costs of pensions administration are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.
Oversight and Governance	All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.
Investment Management Expenses	All investment management expenses are accounted for on an accruals basis. Fees for the fund managers and custodian are agreed in the respective mandates governing their appointments and are based broadly on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

f) Fund account – taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

Net Asset Statement

g) Financial assets

Investment assets are included in the net assets statement on a fair value or amortised cost basis as at the reporting date. Cash held by fund managers and the funds own cash are at amortised cost.

A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the fund. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. Details of the basis of valuation and disclosure levels within the fair value hierarchy are provided at note 13. Foreign currency transactions have been brought into the accounts at the exchange rate that was in force when the transaction took place.

h) Freehold and leasehold property

Property assets have been included in the accounts at fair value as at 31 March each year. The valuation of direct property managed by Nuveen is carried out annually by an independent valuer.

i) Foreign Currency Transactions

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

j) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes. The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Loans and Receivables

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

m) Financial liabilities

The fund recognises financial liabilities at fair value or amortised cost as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the accounts (note 19).

o) Additional voluntary contributions

The fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVC assets are not included in the accounts but are disclosed as a note (note 6).

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

p) Contingent assets and contingent liabilities

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

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

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies in note 3 the council has had to make critical judgements about complex transactions and those involving uncertainty about future events. There were no such critical judgements made during 2023-24.

Directly Held Property

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

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

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

The pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations, as indicated in the table below.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of retirement benefits	This applies to the estimation of the net liability to pay pensions, which depends upon a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The approximate impact of changing the key assumptions on the present value of retirement benefits are: - an 0.1% change in the discount rate would be +/- £51m - an 0.1% change in the rate at which salaries are projected to increase would be +/- £5m - an 0.1% change in the rate of pension increase would be +/- £47m - a one year change in mortality assumptions would be +/- £94m
Freehold and leasehold property and pooled property	Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible, management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The effect of variations in the factors supporting the valuation, estimated to be 5.9% would be an increase or decrease in the value of property of £17m, on a fair value of £291m.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

6. EVENTS AFTER THE REPORTING DATE

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

7. CONTRIBUTIONS RECEIVABLE

By category

	2023-24 £000	2022-23 £000
Employee's Contributions	(16,788)	(15,391)
Employer's Contributions		
Normal	(48,554)	(39,830)
Deficit funding	(1,714)	(5,963)
Early retirement strain	(1,152)	(1,391)
Total contributions from employers	(51,420)	(47,184)
Total	(68,208)	(62,575)

By type of employer

	2023-24			2022-23		
	Employees £000	Employers £000	Total £000	Employees £000	Employers £000	Total £000
Southwark council	(14,847)	(46,398)	(61,245)	(13,653)	(42,216)	(55,869)
Admitted bodies	(248)	(736)	(984)	(252)	(799)	(1,051)
Scheduled bodies	(1,693)	(4,286)	(5,979)	(1,486)	(4,169)	(5,655)
Total	(16,788)	(51,420)	(68,208)	(15,391)	(47,184)	(62,575)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

8. TRANSFERS IN FROM OTHER PENSION FUNDS

Transfers in from other pension funds were as follows:

	2023-24 £000	2022-23 £000
Individual transfers	(5,489)	(3,285)
Total	(5,489)	(3,285)

9. BENEFITS PAYABLE

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

	2023-24 £000	2022-23 £000
Pensions	61,626	55,560
Commutation of pensions and lump sum retirement benefits	12,063	13,596
Lump sums - death benefits	1,264	2,546
Total	74,953	71,702

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

	2023-24 £000	2022-23 £000
Southwark Council	70,492	66,862
Admitted bodies	2,872	3,195
Scheduled bodies	1,589	1,645
Total	74,953	71,702

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2023-24 £000	2022-23 £000
Refund of contributions	83	132
Individual transfers out to other schemes	5,911	4,190
Total	5,994	4,322

11. MANAGEMENT EXPENSES

	2023-24 £000	2022-23 £000
Administrative costs	3,511	3,580
Investment and management expenses	9,774	7,715
Oversight and governance costs	245	490
Total	13,530	11,785

The 2023-24 fee for external audit services for the pension fund is £75K (£49k in 2022-23).

The Pension Fund incurred expenses of £0.8m in relation to services provided by the council during 2023-24 (£0.9m during 2022-23).

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12. INVESTMENT INCOME

	2023-24 £000	2022-23 £000
Dividends from equities	(2,689)	(6,515)
Pooled funds	(10,800)	(2,343)
Pooled property funds	(1,858)	(1,048)
Net rent from properties	(8,302)	(8,582)
Interest on cash deposits	(290)	-
Total before taxes	(23,939)	(18,488)
Taxes on income	(489)	520
Total after taxes	(24,428)	(17,968)

12a. PROPERTY INCOME

	2023-24 £000	2022-23 £000
Rental Income	(10,208)	(10,144)
Direct operating expenses	1,525	1,562
Net rent from properties	(8,683)	(8,582)

13. EXTERNAL AUDIT COSTS

	2023-24 £000	2022-23 £000
Payable in respect of external audit	75	49

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14. INVESTMENT ASSETS

	31 March 2024 £000	31 March 2023 £000
Long Term Investments		
Equities	150	150
Total	150	150
Investment Assets		
Equities	313,576	267,242
Pooled Funds		
Fixed Income		133,397
Equities	503,152	429,580
Diversified Growth	-	130,023
Property	128,127	92,967
Infrastructure	217,442	211,991
Private Equity	53,289	50,363
Multi Asset Credits	205,828	
Other	18,304	42,895
Unitised Insurance Policy		
Fixed Income	153,080	152,894
Equities	407,147	331,929
Property	219,378	194,310
Other investment balances	1,738	1,541
Total Investment Assets	2,221,061	2,039,132
Net Investments	2,221,211	2,039,282

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14a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year. The table below shows the movement in investment assets and the change in market value for the year:

	Opening balance	Purchases	Sales	Change in market value	31 March 2024
	£000	£000	£000	£000	£000
Equities	267,226	397,212	(393,590)	42,718	313,566
Pooled funds	1,087,235	304,838	(701,605)	(7,100)	683,368
Pooled property funds	92,966	50,036	(948)	(11,932)	130,122
Unitised insurance policy	395,853	751,682	(425,015)	152,363	874,883
Property	194,311	30,850	(2,209)	(5,568)	217,384
	2,037,591	1,534,618	(1,523,367)	170,481	2,219,323
Other investment balances	1,541			(6,596)	1,738
Total	2,039,132			163,885	2,221,061

	Opening balance	Purchase	Sales	Change in market value	31 March 2023
	£000	£000	£000	£000	£000
Equities	256,900	65,969	(59,316)	3,689	267,242
Pooled funds	1,019,131	123,217	(148,586)	93,457	1,087,219
Pooled property funds	94,001	2,248	(557)	(2,726)	92,966
Unitised insurance policy	515,348	661,389	(661,392)	(119,492)	395,853
Property	230,600	7,511	(9,605)	(34,195)	194,311
	2,115,980	860,334	(879,456)	(59,267)	2,037,591
Other investment balances	4,561			(20,014)	1,541
Total	2,120,541			(79,281)	2,039,132

The Pension Fund does not hold derivatives as a main asset class, but they are used by Newton Investment Management, the council's active equity fund manager, to hedge the currency risk of holding global equities. The currency forward contracts are traded over the counter.

The valuation of direct property managed by Nuveen is carried out by Knight Frank LLP. The valuer is RICS qualified and the valuation took place on 31 March 2024. All properties have been valued at market value.

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

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14b. INVESTMENTS ANALYSED BY FUND MANAGER

The market value of assets (excluding cash and other investment balances) managed by the investment managers at the balance sheet date 31 March 2024 is set out in the table below.

	31 March 2024		31 March 2023	
	£000	%	£000	%
BlackRock	585,237	27%	747,969	37%
Blackstone	53,289	2%	50,363	19%
Brockton Capital	8,966	0%	6,839	13%
BTG Pactual	36,064	2%	35,743	10%
Comgest	94,974	4%	93,431	5%
Darwin	47,753	2%	21,620	6%
Frogmore	5,062	0%	6,799	2%
Glennmont	31,155	1%	26,001	2%
Invesco	46,412	2%	33,068	2%
LCIV CQS	100,000	5%	-	2%
Legal and General Investment Managers	408,178	19%	395,853	1%
M&G	42,629	2%	43,231	1%
Newton Investment Management	313,561	14%	267,226	0%
Nuveen	219,122	10%	197,339	0%
Robeco	105,828	5%	-	0%
Temporis	102,533	5%	112,108	0%
Total	2,200,763	100%	2,037,591	100%

The following investments represent more than 5% of investment assets at 31 March 2024.

Name of investment	Fund manager	31 March 2024	% of investment assets	31 March 2023	% of investment assets
		£000	%	£000	%
Low Carbon Target	BlackRock	407,147	18%	336,149	16%
Global Equities	Newton	313,561	14%	267,226	13%
Direct Property	Nuveen	221,233	10%	197,339	10%
Low Carbon Transition	Legal and General	408,178	18%	166,572	8%
Low Carbon Target	Legal and General			165,357	8%
Diversified Growth Fund	BlackRock			130,023	6%
Absolute Return Bond Fund	BlackRock			133,397	7%
Emerging Market	Robeco	105,828	5%		

14c. PROPERTY HOLDINGS

		31 March 2024	31 March 2023
		£000	£000
Opening balance		194,310	230,600
Additions:			
	Purchases	35,960	7,734
	Subsequent expenditure	-	2,661
Disposals		2,276	(19,513)
Net increase in market value		(15,162)	(27,172)
Closing Balance		217,384	194,310

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15. ANALYSIS OF DERIVATIVES

The fund does not currently have exposure to derivatives

16. FAIR VALUE HIERARCHY

The valuation of financial instruments has been classified into three levels in accordance with IFRS 13, according to the quality and reliability of information used to determine fair values.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments – unit trusts	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	Net assets value (NAV) based pricing set on a forward pricing basis	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments - property unit trusts and limited partnerships	Level 3	Valued at fair value as provided by the fund manager.	Purchase price at acquisition for newer or non-operational assets, estimated cash flows, government price support	Market prices and cash yields, government policies on energy subsidies, pace of shift to renewable and clean energy, discount rates
Unitised Insurance Policies	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	Net assets value (NAV) based pricing set on a forward pricing basis	Not required
Freehold, leasehold properties	Level 3	Valued at fair value at the year-end by independent valuers	Existing lease terms and rentals; Independent market research; Nature of tenancies; Covenant strength for existing tenants; Assumed vacancy levels; Estimated rental growth; Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices

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The following table shows the fair value valuation hierarchy of fund assets and liabilities.

Value as at 31 March 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Equities	313,561	150	-	313,711
Pooled Funds				
Fixed Income	-	-	-	-
Equities	-	94,988	-	94,988
Multi Asset Credits	-	-	205,828	205,828
Property	-	-	130,122	130,122
Infrastructure	-	-	217,442	217,442
Private Equity	-	-	53,289	53,289
Other	-	14,729		14,729
Unitised Insurance Policy				
Fixed Income	-	153,080	-	153,080
Equities	-	815,325	-	815,325
Total Financial Assets	313,561	1,078,272	606,682	1,998,515
Non-financial assets at fair value through profit and loss				
Property	-	-	217,383	217,383
Grand Total	313,561	1,078,272	824,065	2,215,898
Value as at 31 March 2023				
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Equities	267,242	150	-	267,392
Pooled Funds				
Fixed Income	-	133,397	-	133,397
Equities	-	429,580	-	429,580
Diversified Growth	-	130,023	-	130,023
Property	-	-	92,967	92,967
Infrastructure	-	21,620	190,370	211,990
Private Equity	-	-	50,363	50,363
Other	-	42,895		42,895
Unitised Insurance Policy				
Fixed Income	-	152,894	-	152,894
Equities	-	331,929	-	331,929
Total Financial Assets	267,242	1,242,488	333,700	1,843,430
Non-financial assets at fair value through profit and loss				
Property	-	-	194,310	194,310
Total	267,242	1,242,488	528,010	2,037,740

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

	Opening balance	Purchase	Sales	Realised gain/(loss)	Unrealised gain/(loss)	31 March 2024
	£000	£000	£000	£000	£000	£000
Financial assets at fair value through profit and loss						
Pooled Funds						
Property	92,967	50,036	(349)	(312)	(12,219)	130,122
Infrastructure	190,371	18,204	(1,013)	213	9,667	217,442
Private Equity	50,363	8,921	-	-	(5,996)	53,289
Non-financial assets at fair value through profit and loss						
Property	194,310	30,850	(2,808)	54	(5,023)	217,383
Total	528,011	108,011	(4,171)	(45)	(13,572)	618,235

	Opening balance	Purchase	Sales	Realised gain/(loss)	Unrealised gain/(loss)	31 March 2023
	£000	£000	£000	£000	£000	£000
Financial assets at fair value through profit and loss						
Pooled Funds						
Property	94,001	2,248	(557)	(194)	(2,532)	92,966
Infrastructure	113,281	42,647	(2,684)	519	36,608	190,371
Private Equity	38,475	13,532	(6,431)	87	4,700	50,363
Non-financial assets at fair value through profit and loss						
Property	230,600	7,511	(9,605)	(11,910)	(22,286)	194,310
Total	476,357	65,938	(19,278)	(11,498)	16,490	528,010

Sensitivity of assets valued at level 3

Having analysed historical data, information received from valuers and the valuation techniques of fund managers, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges:

Value as at 31 March 2024	Assessed valuation range	Valuation as at 31 March 2023	Value on increase	Value on decrease
		£000	£000	£000
Pooled Funds				
Property	6.6%	130,122	138,710	121,534
Infrastructure	8.1%	217,442	235,055	199,829
Private Equity	11.8%	53,289	59,577	47,001
Property	6.6%	217,383	231,730	203,036
Total		618,235	665,071	571,399

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17. FINANCIAL INSTRUMENTS

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

	31 March 2024 £000	31 March 2023 £000
Financial assets		
Fair value through profit and loss		
Equities	313,711	267,392
Pooled Investments	586,276	998,248
Pooled Property Investments	130,122	92,967
Unitised Insurance Policy	968,405	484,823
Amortised cost		
Cash	10,601	26,432
Other Investment Balances	1,738	1,541
Debtors	457	3,371
Total	2,011,310	1,874,774
Financial liabilities		
Amortised cost		
Creditors	(5,656)	(3,471)
Net Total	2,005,654	1,871,303

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**Risk and risk management**

The Pension Fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the Strategic Director of Finance advised by the Pensions Advisory Panel. Risk management policies are established to identify and analyse the risks faced by the council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share price risk. This arises from investments held by the fund for which the future price is uncertain. All security investments present a risk of a loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the fund investment strategy.

Potential price changes are determined based on historical data and volatility of asset class returns. For example, 'riskier' assets such as equities will display greater potential volatility than bonds. The following table demonstrates the change in the net assets available to pay benefits, if the market price had increased or decreased. In consultation with the fund's investment advisers, the council has determined that the following movements in market price risk are reasonably possible:

2023-24 - asset type	31 March 2023 £000	Change %	Value on increase £000	Value on decrease £000
Fixed Income	153,080	5.4%	161,346	144,813
Equities	1,224,025	7.9%	1,320,723	1,127,327
Multi Asset Credits	205,828	5.9%	217,972	193,684
Property	130,122	6.6%	138,710	121,534
Infrastructure	217,442	8.1%	235,055	199,830
Private Equity	53,289	11.8%	59,577	47,000
Other	14,729	3.9%	15,303	14,154
Total	1,998,515		2,148,686	1,848,343

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2022-23 - asset type	31 March 2023 £000	Change %	Value on increase £000	Value on decrease £000
Fixed Income	286,291	5.1%	300,896	271,686
Equities	1,028,901	12.9%	1,161,804	895,998
Diversified Growth	130,023	6.1%	137,940	122,106
Property	92,967	5.9%	98,471	87,463
Infrastructure	211,990	4.6%	221,795	202,185
Private Equity	50,363	4.6%	52,692	48,034
Other	42,895	4.6%	44,879	40,911
Total	1,843,430		2,018,477	1,668,383

The potential changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisers' most recent review. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as shown in the table above.

Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The fund's interest rate risk is routinely monitored by the council and its investment advisers in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

Fixed interest securities are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%:

Assets exposed to interest rate risks	Market value £000	Value on 1% rate increase £000	Value on 1% rate decrease £000
As at 31 March 2024	286,291	289,154	283,428
As at 31 March 2023	125,746	127,003	124,489

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Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. A strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

The fund's currency risk is routinely monitored by the council and its investment advisers in accordance with the fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Overseas equities, fixed interest securities and futures, cash in foreign currencies and some elements of pooled investment vehicles are exposed to currency risk. The following table demonstrates the change in value of assets exposed to currency risk had there been a 6.3% strengthening or weakening of the pound against foreign currencies.

Assets exposed to currency risk	Value	Change	Value on foreign exchange rate increase	Value on foreign exchange rate decrease
	£000	%	£000	£000
As at 31 March 2024	310,242	6.3%	329,787	290,696
As at 31 March 2023	372,764	6.3%	396,248	349,280

Credit risk

This is the risk the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. For example a stock may lose value or a dividend due may not be paid. The fund's entire investment portfolio is therefore exposed to some form of credit risk. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

The Fund has set out a series of restrictions in each investment manager's agreement. These restrictions are intended to limit the risks from each individual investment and prevent unsuitable investment activity. The Fund also employs a global custodian to ensure that all transactions are settled in a timely manner.

Liquidity risk

This is the risk that the Pension Fund may not have the funds available to meet payments as they fall due. Historically the Fund has been cash positive (i.e. contributions received have been greater than benefits paid out). However, in recent years this has reversed with benefits paid now surpassing contributions received. The reduction in active members and a resulting change in the membership profile have increased the liquidity risk of the Fund going forward.

The Fund currently has two bank accounts. One is held by the global custodian and holds cash relating to investment activities, the other is the Pension Fund bank account, which holds the cash relating to member activities.

There is a strategy in place to forecast all income and expenditure for the Fund to ensure that sufficient funds will be made available to meet short-term commitments. In the event that there are insufficient available assets to meet liabilities when they fall due, the Fund would be able to redeem investment assets and recall cash resources from investment managers at short notice to meet this requirement.

19. FUNDING ARRANGEMENTS**Statement of the Actuary for the year ended 31 March 2024****Introduction**

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

The LGPS Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Southwark Pension Fund (the 'Fund') is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2022 by Aon, in accordance with Regulation 62 of the LGPS Regulations.

Actuarial Position

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

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

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

- 3 The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution changes and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances. This included an agreement that where employers are in surplus, this has only led to an adjustment in contributions to the extent that this surplus is in excess of 10% of the value of that employer's liabilities (i.e. to the extent that the employer's funding level is greater than 110%).
- 4 The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

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

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

The assets were valued at market value.

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- 5 The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S3 'Heavy' mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for future improvements based on the 2021 Continuous Mortality Investigation Projections Model, with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.5	24.1
Future pensioners aged 45 at the valuation date	22.8	25.6

- 6 The valuation results summarised in paragraph 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.
- 7 The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 31 March 2023. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
- 8 This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2022. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, the London Borough of Southwark, the Administering Authority of the Fund, in respect of this Statement.

- 9 The report on the actuarial valuation as at 31 March 2022 is available on the Fund's website at the following address: <https://southwarkpensions.co.uk/library/actuarial-valuation-report>
- 10 The valuation report refers to Aon's approach to some benefit uncertainties in the 2022 valuation which have since been resolved:
- The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023 were laid on 8 September 2023, and came into effect from 1 October 2023. These regulations set out the McCloud remedy for the LGPS in England and Wales. The remedy is consistent with Aon's expectations and the approximate allowance made for McCloud liabilities in the 2022 valuation.
 - The Judicial Review relating to the 2016 cost management valuation has been concluded and the outcome is that there are no resulting additional costs falling on the Fund (and ultimately employers). The 2020 Treasury cost management valuation has been completed by the Government Actuary's Department. The England & Wales Scheme Advisory Board announced (on 19 April 2024) that it will shortly be publishing the final report of the separate 2022 scheme cost assessment that it is required to undertake under Regulation 116 of the LGPS Regulations 2013, in which different actuarial assumptions are used. However, the Board has already seen the initial results and agreed that it is "not minded to recommend to the Secretary of State any changes to LGPS benefits through that process". This outcome (for both the 2016 and 2020 processes) is in line with the approach taken in the 2022 valuation

Other benefit uncertainties remain as set out in the 2022 valuation report.

- 11 The Government Actuary's Department carries out a review of all LGPS pension fund valuations in England and Wales under Section 13 of the Public Service Pensions Act, to ensure they are following the Regulations and to assess whether the valuations are being carried out in a broadly consistent way. The review also seeks to ensure employer contributions are set at a level to ensure solvency and long-term cost efficiency. The review for the 2022 valuations has not yet been completed and the final report is not yet available.

However all LGPS fund valuation reports and the LGPS Scheme Advisory Board's (SAB's) summary of the 2022 valuations can be found on the SAB's website at the following link: <https://www.lgpsboard.org/index.php/fund-valuations-2022>

Aon Solutions UK Limited
May 2024

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20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

IAS 26 (retirement benefit plans) requires the 'actuarial present value of promised retirement benefits' to be disclosed in the Pension Fund Accounts using the most recent actuarial valuation. The fund was last valued as at 31 March 2022.

	31 March 2024 £m	31 March 2023 £m
Fair value of net assets	2,239	2,064
Actuarial present value of promised retirement benefits	(1,904)	(1,911)
Surplus/(deficit) in the fund as measured for IAS 26	335	153

21. CURRENT ASSETS

The current assets of the fund are analysed as follows:

	31 March 2024 £000	31 March 2023 £000
Contributions due - employees	855	191
Contributions due - employers	1,320	2,811
Sundry debtors	457	3,371
Prepayments	11	6
Tax	-	-
Cash with managers	10,601	17,291
Cash balances	1,981	5,179
Total	15,225	28,849

22. CURRENT LIABILITIES

The current liabilities of the fund are analysed as follows:

	31 March 2024 £000	31 March 2023 £000
Benefits	(1,369)	(2,347)
Professional fees	(280)	(151)
Investment fees	(5,376)	(3,320)
Taxes	(797)	(913)
Other	(594)	(913)
Total	(8,417)	(7,644)

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Fund Manager	Contributions Paid 2023-24	Market Value 31 March 2024	Contributions Paid 2022-23	Market Value 31 March 2023
	£000	£000	£000	£000
Aegon UK	245	3,471	249	3,644
Total	245	3,471	249	3,644

24. AGENCY SERVICES

The council has not acted as an agent for any employers of the fund in 2023-24.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

25. RELATED PARTY TRANSACTIONS

Through its administration of the fund, the fund has a related party interest with the council. The council charged the fund £0.9m in 2023-24 (£0.9m in 2022-23). Management of the Pension Fund is the responsibility of the council's Strategic Director of Finance and Governance and a small proportion of the costs of this post were apportioned to the fund in 2023-24 and 2022-23.

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

The Pension Advisory Panel (PAP) offers advice to the Strategic Director of Finance and Governance. Five members of the PAP are currently active members of the pension fund whilst one member is in receipt of pension benefits. Members of the PAP are required to make a declaration each meeting which is recorded in the minutes and are available on the council website.

The council is also the single largest employer of members of the Pension Fund and contributed £46.2m to the fund in 2022-23 (£42.4m in 2022-23).

25A. KEY MANAGEMENT PERSONNEL

Job Title	Increase in IAS 19	Increase in IAS 19
	Liability to 31st March	Liability to 31st March
	2024	2023
	£000	£000
Strategic Director of Finance (new)	22	-
Strategic Director of Finance and Governance (former)	3	30
Departmental Finance Manager - Corporate	-	11
Senior Finance Manager - Treasury and Pensions	9	10
Pensions Manager	4	13
Total	38	64

26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2024 totalled £60.2m (31 March 2023: £89.9m).

These commitments relate to outstanding call payments due on property and infrastructure funds. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of each original commitment.

Glossary



ACCOUNTING STANDARDS

These are the 'proper accounting practices' that the council must follow. They comprise laws and regulations, which are set out in Acts of Parliament and in codes of practice recommended by professional bodies.

ACCRUAL

An accounting principle where income and expenditure is recognised as it is earned or spent rather than when money is received or paid. This concept is reflected in the accounts by the inclusion of debtors and creditors.

ACTUARIAL GAINS AND LOSSES

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations or the actuarial assumptions have changed.

AMORTISED COST

A way of measuring financial instruments that ignores changes in fair value. Defined as the amount at which a financial instrument is measured when it is first brought onto the Balance Sheet, adjusted for:

- repayments of principal (minus), and
- cumulative amortisation of any difference between the initial amount and the maturity amount (using the effective interest method) (plus or minus).

These differences might arise (e.g.) from transaction costs being set off against the principal amount of a loan or interest being payable at less than market rates.

ASSET

An item having value to the council in monetary terms. Assets are categorised as either current or non-current:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the council and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

BALANCES (OR RESERVES)

These represent accumulated funds available to the council. Some balances (reserves) may be earmarked for specific purposes for funding future initiatives or meeting identified risks or liabilities. There are a number of unusable reserves which are established for technical purposes, it is not possible to utilise these to provide services.

BUDGET

A forecast of the council's planned expenditure and income, either over a set period or for a specific project.

CAPITAL ADJUSTMENT ACCOUNT

An account recording financing and disposals transactions relating to capital expenditure. This account is not available for general use to fund capital expenditure.

CARRYING AMOUNT

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

CAPITAL EXPENDITURE

Expenditure on the purchase, construction and enhancement of council assets such as houses, offices, schools and roads. Expenditure can only be treated as 'capital' if it meets the statutory definitions and is in accordance with accounting practice and regulations.

CAPITAL FINANCING

Capital financing is the process which occurs after capital expenditure has been incurred. There are a number of different sources of capital funding such as government capital / revenue grants, non-government grants, contributions from private developers, capital receipts and unsupported borrowing. Various funding sources are applied to capital spend to ensure that a project is fully financed from approved finance sources.

CAPITAL FINANCING REQUIREMENT (CFR)

The authority's total liabilities in respect of capital expenditure financed by credit less the provision made to meet these liabilities.

CAPITALISATION

Costs are capitalised to the extent that they create or improve any fixed asset with a useful economic life greater than one year.

CIPFA

The Chartered Institute of Public Finance and Accountancy is the accountancy body which represents at national level the interests of local government and public service finance. The Institute produces advice, codes of practice and guidance to local authorities on best practice.

CAPITAL RECEIPTS

Income received from the sale of land, buildings and other capital assets. These can be used to finance new capital expenditure within rules and limits set by the government, but they cannot be used to finance day to day spending.

COLLECTION FUND

This is a statutory account, which records income and expenditure on council tax, National Non Domestic Rates and the sums paid to precepting authorities.

COMMUNITY ASSETS

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks and historic buildings.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control.

CONTINGENT LIABILITY

A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control; or

A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CONTRACT ASSET

An asset arising from a contract for the purchase of goods and/or services from the council, where the council has met some of its performance obligations but is not yet entitled unconditionally to receive payment.

CONTRACT LIABILITY

A liability arising from a contract for the purchase of goods and/or services from the council, where the council has received payment but has yet to meet the performance obligations relating to that payment.

COUNCIL TAX

The main source of local taxation to local authorities. It is levied on households within the council's area and the proceeds are paid into the Collection Fund for distribution to precepting authorities and to the council's own General Fund.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

CREDIT LOSSES

A measure of how much the council would lose if the amounts owed to it by debtors and borrowers are not repaid. Defined as the shortfall between all the cash flows that are due contractually to the council under a financial asset and those that it actually expects to receive (discounted using the investment's effective interest rate).

CREDITORS

Amounts owed by the council for goods and services received but not paid for as at 31 March.

CURRENT SERVICE COST

An estimate of the true economic cost of employing people in a financial year.

DEBTORS

Amounts owed to the council for goods and services provided but where the associated income was not received as at 31 March.

DEFERRED CAPITAL RECEIPTS

These represent capital income still to be received after disposals have taken place and wholly consist of principal outstanding from the sale of council houses.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular fixed contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to the employee service in the current and prior periods.

DEPRECIATION

A measure of the cost of the economic benefits of the tangible non-current assets consumed during the period.

EARMARKED RESERVES

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

EXPECTED CREDIT LOSSES

Weighted average of credit losses with the respective risks of a default occurring as the weights.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable.

FAIR VALUE

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME FINANCIAL ASSETS

Investments for which gains and losses in fair value are recognised on the Balance Sheet but do not impact on the council's income as they arise but only when the investment matures or is sold. Defined as financial assets:

- held within a business model whose objective is achieved by both collecting contractual cash flows and selling investments, and
- which have the form of a basic lending arrangement (ie, contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding).

FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

Defined as financial assets that do not qualify for measurement at amortised cost or fair value through other comprehensive income.

FINANCE AND OPERATING LEASES

A finance lease is one that transfers a substantial proportion of the risks and rewards of a fixed asset to the lessee. With a finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset. For an operating lease a rental payment is payable to the lessor for the use of the asset and the ownership reverts to the owner when the lease is terminated.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

FINANCIAL ASSET

A financial asset is any asset that is:

- a) cash
- b) an equity instrument of another entity
- c) a contractual right:
 - i) to receive cash or another financial asset from another entity, or
 - ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the authority
- d) a contract that will or may be settled in the entity's own equity instruments and is:
 - i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or
 - ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Note: in practice d) is not applicable to local authorities as they do not issue equity instruments. However, it may apply to an authority's group accounts.

FINANCIAL INSTRUMENT

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The adjustment account is used to equalise the impact of financial reporting standards for financial instruments on council tax over the life of financial instruments concerned.

GENERAL FUND

This is the main revenue account of the council and includes the net cost of all services (except council housing) financed by local taxpayers and government grants.

HOUSING REVENUE ACCOUNT (HRA)

This is a statutory account that shows all income and expenditure relating to the provision, management and maintenance of the council's housing stock. Under the Local Government and Housing Act 1989, this account is kept separate from the General Fund and the account must balance. The council is not allowed to make up any deficit in the HRA from the General Fund.

IAS19 EMPLOYEE BENEFITS

International Accounting Standard 19 is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

IMPAIRMENT

A reduction in the value of a non-current asset, greater than normal depreciation, through economic consumption or through a fall in price.

INFRASTRUCTURE ASSETS

A classification of non-current assets, whose life is of indefinite length and which are not usually capable of being sold, e.g. highways, street lighting and footpaths.

INTANGIBLE ASSETS

Non-financial assets that do not have physical substance but are identifiable and are controlled by the council, for example, purchased software licences, patents and trademarks.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The accounting standards adopted by the International Accounting Standards Board (IASB). Local Authorities are required to produce full accounts using IFRS.

INVESTMENT PROPERTIES

Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential, with any rental income being negotiated at arm's length.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24**LEVIES**

Payments to levying bodies such as the London Pension Fund Authority, Lee Valley Park Authority and Environment agency. The cost of these bodies is borne by local authorities in the area concerned, based on their council tax base and is met from the General Fund.

LOSS ALLOWANCE

An allowance made by setting funds aside to cover the expected credit losses calculated for a financial asset.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year and set aside as provision for credit liabilities, as required by the Local Government Act 2003.

NON DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the council on behalf of itself, the greater London Authority (GLA) and central government.

NET BOOK VALUE

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.

NET REALISABLE VALUE

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NON OPERATIONAL ASSETS

Non-current assets held by the council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASES

See finance and operating leases.

OPERATIONAL ASSETS

Non-current assets held, occupied, used or consumed by the council in the direct delivery of its services.

PERFORMANCE OBLIGATION

A promise in a contract with a service recipient for the council to deliver goods and/or services.

PRIVATE FINANCE INITIATIVE (PFI)

A government initiative that enables authorities to carry out capital projects through partnership with the private sector.

PRECEPT

These are demands made upon the Collection Fund, by the Greater London Authority (GLA), for monies which it requires to finance the services it provides.

PROVISIONS

Amounts set aside for liabilities and losses which are likely to occur but where the exact amount or timing is uncertain.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure that is not related to the council's non-current assets but statutory regulations allow the cost to be funded from capital resources. The expenditure is recorded in the Comprehensive Income and Expenditure Statement as it arises.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.
- the parties, or any member of a group of which it is a part, provides key management personnel services to the other, or to the parent of the other, reporting entity.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made.

REVENUE EXPENDITURE

Day to day payments on the running of council services such as salaries and wages, operating costs and charges for the use of assets.

REVENUE SUPPORT GRANT (RSG)

A grant paid by central government in aid of local authority services in general as opposed to specific grants that may only be used for specific purposes.

SERVICE RECIPIENT

A person or an organisation that has contracted with the council (as part of the council's normal business) to obtain goods and/or services in return for payment (or in exchange of goods/services to the council).

TRANSACTION PRICE

The amount the council expects to be entitled to under contract in exchange for transferring promised goods and/or services to a service recipient.

USEFUL LIFE

The period over which the council will derive benefits from the use of a fixed asset.

WRITE-OFFS

Income is recorded in the council's accounts on the basis of amounts due. When money owing to the council cannot be collected the income is already showing in the accounts and has to be reduced or written off.



Meeting Name:	Audit, Governance and Standards Committee
Date:	5 September 2024
Report title:	Annual Governance Report 2023-24
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	n/a
From:	Strategic Director of Finance

RECOMMENDATION

1. That the audit, governance and standards committee approve the Annual Governance Statement (AGS) 2023-24 as attached at Appendix 1.

BACKGROUND INFORMATION

2. The Accounts and Audit Regulations 2015 require that the annual governance statement be presented to and approved by an appropriate committee of the council. Under the constitution, the audit, governance and standards committee is the body that formally receives the annual governance statement.
3. The 2015 Regulations require the annual governance statement to accompany the signed and dated accounts and to be approved at the same time as the statement of accounts. The draft annual governance statement for 2023-24 was reviewed by audit, governance and standards committee in June 2023. Formal approval of the statement is now sought.
4. Following this approval, the annual governance statement should be signed by the most senior member of the council and most senior officer, who are the leader of the council and the chief executive.

KEY ISSUES FOR CONSIDERATION

5. Every year, each local authority is required by law to conduct a review of the effectiveness of its system of internal control and to publish a statement reporting on the review, the annual governance statement, with its financial statements.
6. The annual governance statement is therefore a mandatory statement that recognises, records and publishes the council’s governance arrangements as defined in the CIPFA/SOLACE framework for good

governance in local authorities. It reflects how the council conducts its business, both internally and in its dealings with others. Its objective is to provide assurance on the effectiveness of the corporate governance arrangements and to identify significant governance issues requiring management action.

7. The draft AGS was circulated to strategic directors and reviewed by the Corporate Management Team (CMT) in May 2024. It was reviewed by the audit, governance and standards committee in June 2024. After the June committee, the draft was sent to the new external auditors KPMG for their comments. Their response noted that the statement covered all mandatory requirements, and no changes were required, but the council could consider emphasising some areas such as setting out how the council engages with the local community, ensuring compliance with the legislation and internal policies and procedures, highlighting internal and external reviews. We have added in some narrative in response to these comments and will consider again in preparing the 2024-5 annual governance statement. In addition, since the draft was presented to the audit governance and standards committee, there has been a change in government, so references have been updated as necessary. The main paragraph changes are:
- 4.3.1, 4.3.3 and 4.3.4
 - 6.2.12, 6.2.24, 6.4.4 – 6.4.6.

Policy framework implications

8. There are no policy implications in the proposals in this report.

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

Community impact statement

9. 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

10. There are no direct equalities implications in the proposals in this report.

Health impact statement

11. There are no direct health implications in the proposals in this report.

Climate change implications

12. There are no direct climate change implications in the proposals in this report.

Resource implications

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

Consultation

14. There was no consultation.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix 1	Annual Governance Statement 2023-24

AUDIT TRAIL

Lead Officer	Tim Jones, Director of Corporate Finance	
Report Author	Geraldine Chadwick	
Version	Final	
Dated	23 August 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	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	23 August 2024	

Annual Governance Statement 2023-24

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Introduction

1.1 Southwark Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. To achieve this the council has to ensure that it has a governance framework that supports a culture of transparent decision making.

1.2 The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Amendment) Regulations 2021, require the council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review, with the Statement of Accounts.

The principles of good governance

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

Core principles of the CIPFA/SoLACE framework



Key elements of the council's governance arrangements

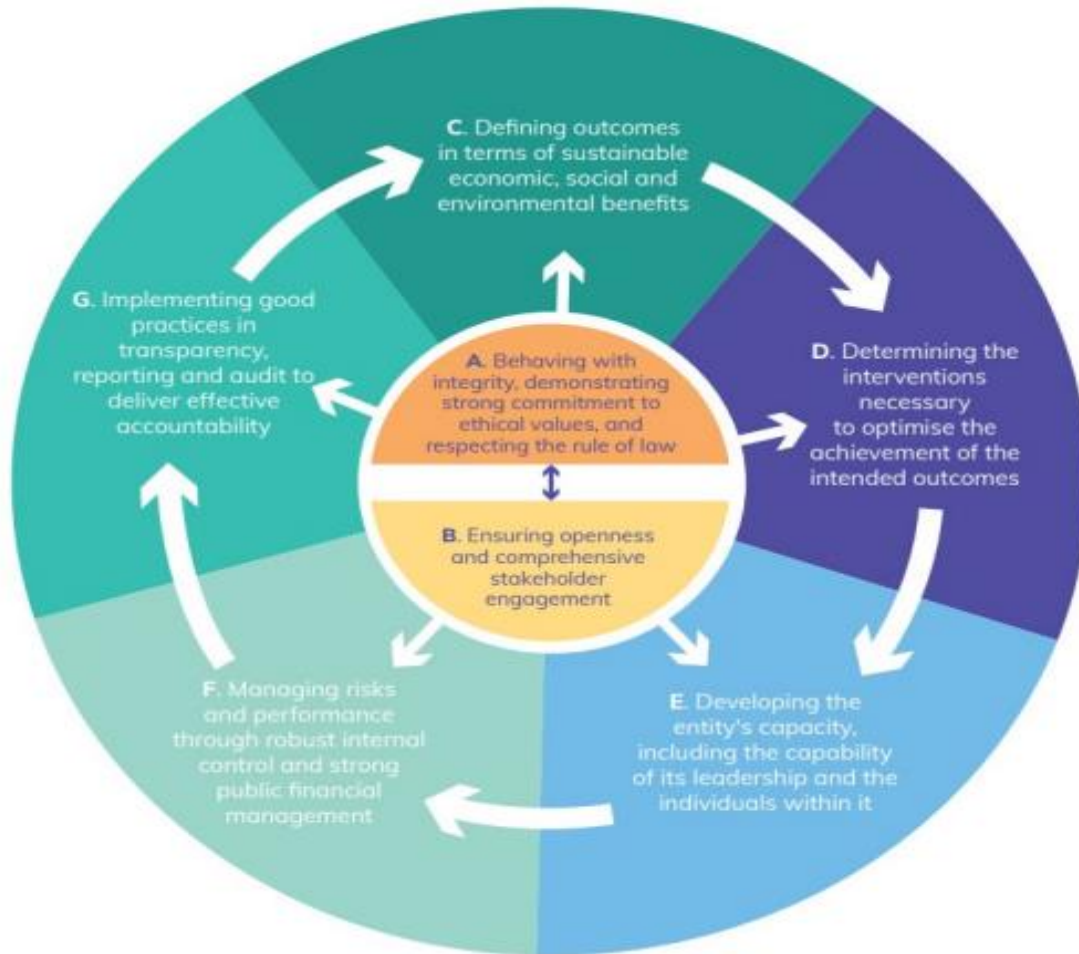
3.1 The governance framework at Southwark Council comprises the systems and processes, culture and values which the council has adopted in order to deliver on the above principles. The council has a separate code of governance, which is consistent with the principles of the CIPFA/SoLACE framework (2016). This has been updated and the revised code was reported to the audit, governance and standards committee in February 2024.

3.2 The CIPFA Advisory Note 'Understanding the Challenge to Local Authority Governance' (March 2022) restates the importance of increasing awareness and strengthening of governance arrangements following the significant and high profile failures in some local authorities. These concerns were reaffirmed by the Department for Levelling Up, Housing and Communities (DLUHC) in their 2020 report, 'Addressing cultural and governance failings in local authorities: lessons from recent interventions'.

3.3 The CIPFA Advisory Note, 'Local audit delays and the publication of the annual governance statement' (December 2023) defines an assurance framework as (Figure 1):

'The means by which leaders, managers and decision makers can have confidence that the governance arrangements that they have approved are being implemented, operating as intended and remain fit for purpose.'

Figure 1: Establishing an effective assurance framework



3.4 For good governance to function well, the CIPFA Advisory Note highlighted the need for organisations to encourage and facilitate a high level of robust challenge. The Corporate Peer Challenge undertaken in October 2023, enabled leaders and members to have an external assurance of the governance arrangements in place. The recommendations and action plan arising from the review has provided a welcome steer to enhance and strengthen those arrangements.

3.5 'The CIPFA Financial Management Code 2019 (FM Code) was introduced during 2020-21, to improve the financial resilience of organisations by embedding enhanced standards of financial management. The council has assessed compliance with the FM Code since its introduction and compliance is reported every year to the audit, governance and standards committee.

3.6 The governance framework incorporated into this Annual Governance Statement has been in place at Southwark Council for the year ended 31 March 2024 and up to the date of the approval for the statement of accounts.

Constitution and Committees

3.7. Council Assembly is responsible for approving the budget, developing policies, making constitutional decisions and deciding local legislation. The council assembly elects the leader for a term of four years and the leader appoints a cabinet (including themselves), each holding a special portfolio of responsibility. The council leader, Councillor Kieron Williams was appointed in September 2020.

3.8 The council's [constitution](#) is updated throughout the year and sets out how the council operates. It states what matters are reserved for decision by the whole council, the responsibilities of the cabinet and the matters reserved for collective and individual decision, and the powers delegated to panels, committees and community councils. Decision-making powers not reserved for councillors are delegated to chief officers and heads of service. The Assistant Chief Executive, Governance and Assurance, ensures that all decisions made are legal and supports the audit, governance and standards committee in promoting high standards of conduct amongst members.

3.9 The overview and scrutiny committee and its scrutiny commissions scrutinise decisions made by the cabinet, and those delegated to officers, and reviews services provided by the council and its partners. The scrutiny officer promotes and supports the council's scrutiny functions. The Centre for Governance and Scrutiny were commissioned by the council in August 2022 to provide a health check of the council's scrutiny function. The findings of the review were reported in April 2023, with comments that '*scrutiny had a good foundation in Southwark*' and suggested a number of recommendations to enhance the scrutiny function. The council agreed to all of the recommendations, has an action plan in place and aims to implement the recommendations over the two year period 2023-24 and 2024-25.

3.10 The [council delivery plan 2022-26](#) is published on the council's website. In addition, the council has worked with residents and partners to develop a borough wide strategy 'Southwark 2030' and 'Future Southwark' to further focus council priorities in the longer term.

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

The Council Delivery Plan

3.12. The overall budget and policy framework of the council is set by the council assembly and all decisions are made within this framework. The council's overall policy is represented through the [Council Delivery Plan](#) which sets out the priorities and commitments to the people of Southwark. It is developed alongside the budget through consultation with residents and other stakeholders in the

borough and sets out how the delivery plan will be achieved. The plan is centred on seven separate themes:

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

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

3.14 Performance against the council delivery plan is monitored throughout the year. Progress is reviewed quarterly by the leader and respective cabinet members and is reported through an annual performance report at the end of each financial year. The council also monitors its performance through feedback from its residents and service users.

3.15 The council delivery plan was agreed in September 2022 alongside the [Fairer Future medium term financial strategy 2022-23 to 2026-27](#), allowing the council to make best use of the financial resources available and to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders. The medium term financial strategy is updated regularly, and monitoring reports were presented to cabinet in July, October, November and December prior to the formal budget setting process.

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

Performance, Policies, Risk and Financial Arrangements

3.17 The performance management process helps to identify learning and development needs, which are translated into personal development plans for staff. Members are also offered development opportunities, in line with their own personal development plans. The council provides

a complete programme of learning and development to officers and members. Senior officers are also expected to keep abreast of developments in their profession.

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

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

3.20 The council's financial management arrangements conform to the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2016). The chief financial officer is the Strategic Director of Finance who has statutory responsibility for the proper management of the council's finances and is a key member of the corporate management team. He formally devolves the management of the council's finances within departments to strategic directors through the Scheme of Delegation for Financial Authority and Accountability. Strategic directors further devolve decision making through departmental schemes of management. The Strategic Director of Finance provides detailed finance protocols, financial regulations, procedures, guidance and finance training for managers and staff.

3.21 The council's assurance arrangements conform to the governance requirements of the CIPFA "Statement on the Role of the Head of Internal Audit in Public Service Organisations" (2019). The chief audit executive reports functionally to the audit, governance and standards committee, which approves the audit plan and strategy and receives reports throughout the year on audit and anti-fraud activity, as well as the annual report and opinion on the internal control framework.

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

Review of effectiveness

4.1 Southwark Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The system of

internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

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

4.3 The key elements of the review of effectiveness are:

4.3.1 The council's internal management processes, such as performance monitoring and reporting; the staff performance appraisal framework; internal surveys of awareness of corporate policies; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget challenge process. We are constantly reviewing our [constitution](#) and decision-making framework to ensure clarity openness and transparency. We have in place a system of delegation to Cabinet Members and Chief Officers all of whom can make key decisions. Informal governance also plays an important role in developing strategy, monitoring the council's performance and developing proposals which are then taken through formal decision making and governance.

4.3.2 Southwark Council corporate peer challenge. In October 2023, the Local Government Association (LGA) undertook a review of the council to enable a sector led approach to continuous improvement and transparency. The [report](#) included eleven recommendations. In response to the recommendations, the council has created an action plan, which assigns senior officer responsibility for delivery for specific actions and a timeframe for delivery. The council is also developing a new internal change programme called 'Future Southwark' to deliver these improvements and to follow on from the long term ambitions and priorities of the council. The Chief Executive discussed the report findings and action plan at the January 2024 cabinet and the February 2024 audit, governance and standards committee.

4.3.3 Following the LGA peer review, a review of our informal governance was undertaken, and the recommendations are being implemented including standardising our arrangements for lead member briefings and putting in place an integrated forward plan across lead member briefings and other key informal governance meetings such as the Strategic Policy Board (joint leadership meeting of Cabinet and the Corporate Management Team). In addition, we have recently undertaken a review of our scrutiny call-in process and updated our reports template. Southwark is committed to regularly reviewing and updating the [constitution](#), standing orders, standing financial instructions, schemes of delegation and supporting procedure codes, protocols, notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks. For example, the

Human Resources team are reviewing officer employment rules and the Monitoring Officer is leading a working party to review the Member Officer protocol.

4.3.4 The continued successful delivery of outcomes by the council's various networks, joint teams and partners demonstrates that effective governance arrangements are in place. Southwark has always promoted working with partners and it is through our strong and long-standing partnerships, along with new ones, such as the Anchor Network of major employers, public sector partners and voluntary and community sector organisations, that has developed through Southwark 2030, that shared outcomes are being achieved. Testing the robustness of how the council works collaboratively across partnerships to develop and deliver the Southwark 2030 vision was a key area of focus in the LGA Peer Review. The review findings stated that partnership working is regarded as good by key stakeholders, who feel engaged with the council and what it is aiming to achieve. Partners are keen to help translate strategy into action and a key action arising from the LGA peer review includes enhancing the role of the Anchor Network, mapping stakeholder relationships and developing a partnership engagement action plan to ensure successful delivery of Southwark 2030 and related strategies; this work is now underway and will report in autumn 2024.

4.3.5 An annual self-assessment and management assurance statement signed by strategic directors, confirming that the Code of Conduct, Financial Standing Orders and Financial Regulations and other corporate governance processes have operated as intended within their directorates throughout the year.

4.3.6 The chief audit executive opinion to members on the adequacy and effectiveness of the internal control framework, the council's risk management and governance process. The audit opinion overall, provides moderate assurance. This denotes 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 2022-23.

4.3.7 Internal audits have strengthened local and corporate wide arrangements. The council's improvement plan has been further embedded to enhance the risk management arrangements.

4.3.8 The audit, governance and standards committee is independent and separate from the scrutiny function delivery through the Overview and Scrutiny Committee and from the decision making committees. The audit committee provides an oversight on a range of core governance and accountability arrangements.

4.3.9 The annual report on corporate risk and risk management arrangements which were presented to the 5 February 2024, audit, governance and standards committee for discussion. The council's corporate risk register is prepared following joint assessment by officers of all departmental

risks. Each department reviews their risk registers on a quarterly basis. Each risk is accompanied by a mitigation setting out the controls in place to manage risk.

The main purposes of the council's corporate risk management process are:

- To set out the most significant risks to the council in the context of multiple risks identified and managed within each department.
- Where appropriate, to consolidate common risks issues especially where cumulatively they may amount to a higher risk rating.
- To ensure that single risks that may act to impact across all council services are recorded (e.g. cyber security).
- To enable risks to be effectively managed to ensure that the council meets its corporate and business objectives; and
- To alert the council to new or increasing risks that may impact on the council's ability to serve its residents and wider community.

4.3.10 The top risks are those that have been assessed as 'amber' or 'red' and appear in more than one department and often require the most proactive management actions to control and mitigate these risks. The high level risks highlighted in February 2024 were:

- Housing Revenue Account (HRA) financial sustainability;
- Capital programme and major projects;
- Asset management and building safety;
- Acute socio- economic factors;
- Cost of living;
- Medium term financial planning;
- Cyber security, IT, Data and information management;
- Schools and education;
- Health and Safety;
- Climate emergency;
- Recruitment, retention, resources and capacity;
- Health and Social Care Act;
- Legal and regulatory- government policy;
- Failure of key provider;
- Fraud;
- Unforeseen major event.

There is an ongoing review of the risk register to reflect the new corporate structure and to reflect the corporate focus on finance, procurement and business continuity. Business continuity planning has been enhanced across the council and aligned with the council's emergency plan, which is agreed annually by Cabinet. The overall change is a slight decrease in corporate risk from 2022-23,

however, the financial sustainability of the housing revenue account has been added as a significant increasing risk in 2023-24.

4.3.11 The audit governance and standards committee formal review of their performance. The committee assessed its work and performance against the CIPFA's 'Position Statement 2022'¹ at the February 2024 committee and will consider ways to implement continuous improvement, through the CIPFA evaluation checklist at the June 2024 committee.

4.3.12 The committee continued its approach to the consideration of governance by having additional structured reports on high risk areas and committee members continued to ask challenging questions and raise issues on matters before it. In 2023-24, the committee has had in-depth series of reports on the in-sourcing of the council's leisure services and updates on IT cyber security and members enquiries services.

4.3.13 Members confirmed that the reports and governance discussions enabled them to be assured that: -

(i) the council's system of risk management was adequate to identify risk and to allow the council to understand the appropriate management of those risks;

(ii) there were no areas of significant duplication or omission in the systems of governance in the council that have come to the committee's attention and not been adequately resolved.

4.3.14 Departmental governance conversations. In 2023-24, the audit, governance and standards committee continued to invite Strategic Directors, the Assistant Chief Executives and the Chief Executive to discuss their departments' governance arrangements. These 'governance discussions' provided in depth details of departmental governance arrangements, departmental risk registers, associated controls and mitigations and allowed committee members to discuss and challenge particular governance issues. These discussions will continue into 2024 -25 with a renewed focus on key risk areas.

4.3.15 The review of compliance with the CIPFA Financial Management (FM) Code 2023-24, reported to the audit, governance and standards committee in June 2024. The purpose of the code is to provide a strong foundation to manage financial resilience, to meet unforeseen demands on services and to manage unexpected shocks in financial circumstances.

4.3.16 A key part of the FM Code is a review of the council's financial sustainability against the CIPFA financial resilience index which are benchmarked across other local authorities. This has been

¹ CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

particularly pertinent as the number of authorities facing acute financial difficulties (and consequent issuing of a 'Section 114' notice), has significantly increased in recent years. The overall findings across all local authorities in 2023, showed a pattern of falling reserves and increases in social care expenditure. The index showed Southwark Council to be at 'low risk' for the level of general fund reserves and ranked as low risk on the 'reserve sustainability' measure and rated good for children's social care. The areas highlighted in the June 2024 report was the long term financial sustainability of the housing revenue account (HRA) and the levels of external debt. Section 6.2 and 6.4 provides further discussion on the financial sustainability of the council's HRA.

Assurance statement

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

Governance issues

6.1 The specific governance issues are addressed in the following sections:

- Issues highlighted in the 2022-23 annual governance statement: actions and outcomes
- Emerging governance issues in 2023-24
- Areas of Significant Change: looking forward to 2024-25 and the medium term

Issues highlighted in the 2022-23 Annual Governance Statement: Actions and Outcomes

6.2 The follow up of the governance issues highlighted in 2022-23 are discussed in paragraphs 6.2.1- 6.2.27 and summarised in Table 1.

Table 1: Summary of governance issues and actions taken

Governance issues Identified in 2022-23 Annual Governance Statement	Action	Section and paragraph
<p>Housing – HRA</p> <p>Housing – Temporary accommodation</p>	<p>Housing Revenue Account (HRA) – long term financial sustainability plan agreed at cabinet</p> <p>Temporary accommodation- subject to additional scrutiny, enhanced monitoring and mitigating action plans</p>	6.2.1- 6.2.5
Southwark Stands Together (SST)	SST continues to be a key priority for the council. Ethnicity Pay Gap strategy a focus in 2023-24.	6.2.6-6.2.7
Cost of Living Crisis	The council's response to the crisis has been to support 83,000 households	6.2.8-6.2.11
Southwark 2030	Renewed focus on long term transformation and re-focus of council priorities through Southwark 2030 and Future Southwark	6.2.12 – 6.2.14 and Section 6.4
<p>Staffing</p> <p>-Reorganisation of the council's senior management structure</p> <p>- Recruitment and retention of staff</p>	<p>Phase one was completed in 2022-23 and Phase two completed in 2023-24</p> <p>Recruitment and retention of staff remains challenging</p>	6.2.15-6.2.17
External audit	<p>External audit delays – accounts for 2021-22 and 2022-23 have been signed off in April 2024.</p> <p>New auditors KPMG have commenced the 2023-24 audit of accounts</p>	6.2.18-6.2.20

Climate Emergency	Action Plan established	6.2.21- 6.2.23
Other Council Services	<p>Reform of Adult Social Care – delayed until October 2025 by government</p> <p>Dedicated Schools Grant (DSG) – The council is on track with the SEND management plan and there is a reduced DSG deficit as at 31 March 2024.</p> <p>In-sourcing of council's leisure services was delivered as planned in June 2023. Performance Monitoring and regular reporting the audit committee.</p>	6.2.24-6.2.27
Local government funding and macro-economic climate	Response to uncertain government funding levels post the next general election by strengthening the short, medium and long term financial strategies	Section 6.3 and 6.4

Housing -Housing Revenue Account (HRA)

6.2.1 Southwark is one of the largest social landlords in the country, consisting of 55,000 rented, leaseholder and freeholder homes across the borough. The cost of living crisis, restrictions to available income, debt charges and inflationary pressures continue to have huge ramifications on the Housing Revenue Account (HRA). The HRA reflects the statutory requirement to account separately for all costs and management of the council's housing stock, offset by tenants' rents and service charges, homeowner service charges and other income.

6.2.2 The government imposed restrictions on the rent rises for social housing, at 7% in 2023-24, and prior to this intervened to reduce social rents by 1% p.a. for the 4 years commencing April 2016. In addition, the HRA has faced unprecedented financial pressures such as additional unfunded regulatory burdens arising from the Fire and Building Safety Acts, exceptionally high inflation in construction markets, and the tripling of interest rates between December 2021 and December 2023. The continuing financial pressures on the housing revenue account have been closely monitored by the council and reported to cabinet throughout 2023-24.

6.2.3 As reported at cabinet in June 2024, the HRA outturn for 2023-24 was an in-year net overspend of £16.4m, with reserves of just £16.9m as at 31 March 2024. Given the size of the council's HRA, reserves should be in the region of £50m. The council have taken immediate action

to ensure the ongoing sustainability of the account, by drafting a 10 year HRA Recovery Plan in two phases. Phase 1 seeks to swiftly reduce revenue spend through a range of activities in order to prevent further deterioration in the financial position. Phase 2 seeks to restore HRA budgets to a sustainable level and increase reserves to a prudent level. The plan outlines the rebuilding of reserves from 2028-29.

6.2.4 Phase 1 will require additional borrowing to fund the asset management programme, where costs are currently in excess of the available budget, and due in part by the unfunded costs arising from changes to legislation. This additional borrowing will be paid off over the lifetime of the HRA Recovery Plan, to ensure that long term borrowing is only used to deliver new homes. In addition, the council is putting in place other available measures to reduce the need to borrow, such as curtailing or pausing projects that are funded by borrowing and increasing resources through disposing of uneconomic assets. Section 6.4 discusses the medium term HRA financial outlook.

Housing - Temporary accommodation

6.2.5 Southwark is a leading authority on homeless prevention recognised nationally. However, the cost and demand for temporary accommodation remains unremitting, driven by the growing national homelessness crisis, unaffordable private sector rented accommodation and government restrictions on Local Housing Allowance (LHA) rates meaning welfare benefits no longer cover the cost of private rented accommodation. These budgetary pressures were closely monitored in 2023-24 by a cross departmental board taking practical steps to increase the supply of appropriate housing solutions. Monitoring of this high pressure area and appropriate mitigating actions will continue into 2024-25.

Southwark Stands Together (SST)

6.2.6 Southwark Stands Together (SST) is the council's ambitious programme of work to tackle racism and promote anti-racist practice, both within the council and our community. The programme continues to be one of the council's most important priorities, with progress overseen by a board chaired by the Chief Executive and attended by members of the Corporate Management Team (CMT) and trade union representatives. Recordings of each board meeting are made available on the council's intranet where they can be viewed by any employee.

6.2.7 During 2023-24, programme activity included the development of a new ethnicity pay gap strategy, which is a commitment in the Council Delivery Plan (CDP). The strategy development process included analysis of anonymised Human Resources (HR) data over the period 2018-19 to 2022-23, and engagement with over 1,000 employees through a combination of surveys, focus groups, and co-design workshops. The council's ethnicity pay gap has reduced from 12.6% in 2018-19 to 9.3% in 2022-23. Our new strategy is designed to build on this progress and continue reducing the council's pay gap. Delivery of the strategy has been incorporated into the wider programme plan for SST.

Supporting the most vulnerable through the 'Cost of Living' crisis

6.2.8 In the Spring Statement 2023, the Institute for Fiscal Studies (IFS)² commented that the overall outlook for public finances remained difficult. Although inflation overall was declining, it was still above average pay growth and taxes continued to rise to their highest ever level. In these circumstances, the IFS predicted that households would continue to feel pain in the longer term, and the cost of living crisis continued throughout 2023-24.

6.2.9 Despite a decline to 3.2% by March 2024, inflation still remained higher than the government's target of 2%. The IFS³ reported a decline in household income driven by a fall in workers real incomes, from inflation outstripping wages, frozen tax thresholds and reductions in average benefit payments - which has been only partially offset by the universal energy rebate and cost of living payments. The Office for Budget Responsibility (OBR) predicted a similar economic outlook. The IFS⁴ predicted that average disposable income would be lower at the next election than at the last, which would disproportionately impact on lower income households and would be further exacerbated by the widening gap between those near the top of the income distribution and those at the bottom of the income distribution. The IFS concluded that this parliament [to July 2024] had been 'dismal' for material living standards and suggests that this posed a significant challenge for the next government. This outlook would, in turn, create further challenges for the council, as demand for support from residents is unlikely to reduce and additional and adequate funding of public services remains uncertain.

6.2.10. The council pledged to continue to tackle the cost of living crisis for residents through the 'Cost of Living Fund' using both government grants and council resources to provide help with bills. During 2023-24, the council delivered extensive support to many residents, while prioritising those on the lowest incomes and most vulnerable to cost of living impacts. The total value of support distributed was above £10m. Low-income households with children received the most support – including Holiday Free School Meals and expanded eligibility for term-time free school meals for secondary school children. Others receiving support from the fund included pensioners, those with disabilities and older single adult households - especially those on low incomes but not claiming or eligible for welfare benefits.

6.2.11 By working even more closely with our voluntary, community and faith sector partners, we successfully extended the reach of the fund to include our most marginalised or hard-to-reach communities – thanks in part to much greater engagement with our Latin American and African communities. In the autumn and winter, more than sixteen thousand referrals were received through a 'community referral pathway' from dozens of community partners. A larger and more diverse set of partners than last year included emergency food providers, mental health charities, schools,

² [Spring Budget 2023 response | Institute for Fiscal Studies \(ifs.org.uk\)](https://www.ifs.org.uk)

³ 'Living standards since the last election'; (IFS 21 March 2024)

⁴ Living Standards, Poverty and inequality in the UK' (IFS) 21 March 2024

churches, mosques, tenant associations, advice agencies, mutual aid groups and local councillors. In 2023-24 the council supported more than 83,000 households through the cost of living crisis including at least 16,000 households with children providing help with bills – especially food, energy and council tax bills. In addition, the council has provided additional support to those on low incomes to gain access to the best advice. Not all advice had a financial outcome but the average financial gain for all those households receiving one-to-one advice from the ‘Southwark Energy Savers’ service was estimated at more than £1,300.

6.2.12 The [previous] government announced on the 6 March 2024 that the Household Support Fund Grant (HSF) would be further extended for 6 months to September 2024. The council is targeting funding at the most vulnerable residents by helping paying bills during the cost of living crisis and continuing the programme of holiday free school meals for eligible children. It is expected that this will be the last tranche of government support for the cost of living crisis. Prior to this support, the council had its own Scheme – the Southwark Emergency Support Scheme- which will continue to support the most vulnerable residents.

Southwark 2030 and Future Southwark

6.2.13 The council continues to commit to a shared long term vision of the future, despite an uncertain economic climate. The [Southwark 2030](#) strategy aims to reinforce the council’s priorities and focus on a change programme. The strategy was reported to July 2024 cabinet which will be followed by an outcomes framework and action plan in autumn 2024. A new ‘Future Southwark’ programme has been developed which will support the organisation in delivering the change and improvements required to deliver the vision and goals of the 2030 strategy.

6.2.14 This ‘Future Southwark’ change programme was agreed in February 2024 by the Corporate Management Team (CMT) and included the case for change, the programme approach, a high level timeline and the programme governance. Future Southwark sets out an ambitious programme, with a framework to measure programme outcomes, based on the council’s values. The delivery is by phases, with phase 1 including: -

- a review of corporate resources
- a people powered plan to set out how the council retains and attracts staff
- transformation priorities in line with Southwark 2030
- a strategy for accommodation
- the delivery of the Corporate Peer Challenge action plan.

Phase 2 will be launched in 2024-25 and will focus on the delivery of the 2030 strategy.

To support this programme, significant progress has been made with the appointment of the Director of People and Organisational Development, increasing the staffing of the Human Resources (HR)

team and drafting a new ‘People Power Strategy’ to support transformational change and meet the objectives of the corporate delivery plan.

Staffing - Re-organisation of the council’s senior management structure

6.2.15 The council has undertaken a comprehensive senior management reorganisation to ensure that officer leadership capacity is aligned to the priorities and commitments in the Council Delivery Plan. Following the implementation of a first phase of reorganisation in 2022-23, a second phase was completed in 2023-24. The council’s Corporate Management Team now consists of the following roles:

- Chief Executive
- Strategic Director, Children and Adult Services
- Strategic Director, Environment, Neighbourhoods and Growth
- Strategic Director, Housing
- Strategic Director, Finance
- Assistant Chief Executive – Strategy and Communities
- Assistant Chief Executive – Governance and Assurance
- Strategic Director, Integrated Health and Care – this role is shared with, and jointly funded by, the South East London Integrated Care Board

6.2.16 Other significant aspects of the second phase of senior management reorganisation include the following changes:

- the transfer of education functions into the Children and Families division to enable an integrated children’s services model
- the transfer of procurement functions to the Finance directorate

As part of the planned implementation of the new structure, the Strategic Director of Environment, Neighbourhoods and Growth has been temporarily filled via an acting up arrangement and the Director of Planning and Growth is temporarily reporting to the Strategic Director of Finance.

Staffing: Recruitment and retention of staff

6.2.17 Recruitment and retention of council employees continues to be an important priority. The council has completed a comprehensive review of its approach to recruitment and agreed to invest in a new resourcing service designed to provide hiring managers with specialist expertise in marketing job vacancies and directly sourcing candidates. The new team was established in March 2024 and its impact will be measured by a range of metrics, including the council’s recruitment success rate, i.e., how often advertised roles are filled. In addition, the council has commenced the development of a new workforce strategy – currently titled our “people power plan” – which is designed to ensure the council is doing the right things to recruit, develop and retain a highly

performing workforce that can effectively meet the needs of residents and communities. The new strategy and associated delivery plan are due to be launched in autumn 2024.

External Audit

6.2.18. The council is part of the Public Sector Audit Appointments (PSAA) national scheme which appoints the council's external auditors. KPMG was appointed to act as the external auditors for five years from 2023-24, replacing the previous auditors, Grant Thornton.

6.2.19. Currently, there is significant uncertainty, accounting technicalities and capacity issues in the external audit market, with delays nationally to signing off local authority accounts. As at 31 December 2023, the backlog of outstanding opinions stood at 771⁵. The then Department of Levelling up, Housing and communities (DLUHC) (renamed the Ministry of Housing, Communities and Local Government) proposed a solution to this to clear the outstanding historical audit opinions and to ensure the delays do not return. The legal 'backstop date' by which point all audited accounts up to and including 2022-23 has to be published is 30 September 2024. The council has published ahead of this date in April 2024.

6.2.20 To support the recovery of the system, CIPFA are consulting on changes to the Code of Practice on Local Authority Accounting to reduce the burden of the external audit for 2023-24 and 2024-25, building on recommendations of the Redmond Review⁶. For 2023-24, accounts need to be published by 30 June 2025. KPMG have started the interim audit for 2023-24 and are expected to complete well within this backstop.

The Climate Emergency

6.2.21 The climate emergency is a major focus for the council, working in partnership with stakeholders, partners, staff and residents to tackle the effects of climate change. The council has published a Climate Emergency Strategy and Action Plan setting out how the council will become carbon neutral by 2030 and also working toward moving the borough as a whole towards carbon neutrality by 2030. The cost of the borough being carbon neutral is estimated at £3.9bn, so the council will need central government to increase funding available if it is to fully meet this challenge.

6.2.22 The council committed resources to a dedicated climate change team in 2022. The team is now in place and is focused on delivering a very ambitious action plan.

6.2.23 The council now considers climate impact as part of all of its decisions and plans to review how it procures to consider climate impact in procurement. The council recognises that there are challenges and often conflicting priorities. For example, there are significant pressures on the

⁵ [Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/local-audit-delays-joint-statement-on-update-to-proposals-to-clear-the-backlog-and-embed-timely-audit)

⁶ [Redmond_Review.pdf \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/118888/Redmond_Review.pdf)

council's housing budget. These pressures will make it all the more challenging to find funding to start to decarbonise our housing stock – an issue which is being shared across the country. Good governance in the council is essential to identify and manage these issues.

Council Services

6.2.24 The reform of adult social care was to be delayed until October 2025, with the planned funding for these reforms recycled and used to fund existing social care demands in 2023-24 and 2024-25. The incoming government announced on the 29 July 2024 that the reforms will be cancelled in response to an inherited projected overspend of £22bn for the 2024-25 financial year.

6.2.25 The council entered into a formal Safety Valve Agreement with the Department for Education (DfE) at the end of the 2022-23 financial year. This is a major programme, put in place by the Department for Education (DfE), in recognition of the insufficient funding available for children and young people who have Special Educational Needs and/or Disabilities (SEND). The programme focuses on improving SEND services, in line with Southwark's SEND Strategy 2022-2025 and commits the council to reach an in-year balance on the Dedicated Schools Grant (DSG) by 2024-25 and eliminating that deficit by 2026-27, with the support of Safety Valve funding. Upon entering into the agreement, the council received an initial grant of £9.2m in 2022-23 with an additional £3.77m released by the DfE throughout 2023-24 following the acceptance of successful monitoring reports. The cumulative deficit has been reduced to £9m at year end.

6.2.26 The SEND improvement programme integrates delivery of the transformational SEND Strategy alongside successfully meeting the conditions of the Safety Valve Agreement. The programme is overseen by the multi-agency SEND Strategic Partnership Board supported by the council led SEND and Inclusion Quality and Improvement Board, which is responsible for driving the operational improvement on behalf of the Partnership Board. Additional assurance is provided by the direct oversight of both the Strategic Directors for Children's and Adults Services and Finance of the progression and delivery of the actions required to achieve the financial targets contained in the agreed DSG Management Plan.

6.2.27 The in-sourcing of the council's leisure facilities took place as planned in June 2023, when over 400 staff were TUPE transferred into the council. Work has continued to ensure robust governance is in place, including regular formal reporting in 2023-24 to the audit, governance and standards committee, budget and performance monitoring, internal audit scrutiny, as well as significant service-based systems and processes being embedded. Harmonisation of contracts was achieved in April 2024, for those staff who wished to transfer onto Southwark terms and conditions.

Governance areas emerging in 2023-24

6.3 During the year we have identified the following areas summarised in Table 2 and discussed in paragraphs 6.3.1- 6.3.6.

Table 2: Summary of emerging governance Issues and actions taken

Governance Issues emerging in 2023-24	Action	Section and paragraph
Peer Review	Action plan reported to Cabinet	6.3.1-6.3.5
Cyber Security	Ongoing	6.3.6

Peer Review

6.3.1 In October 2023, the council welcomed a team from the Local Government Association (LGA) to undertake a Corporate Peer Challenge. This is a highly valued improvement and assurance tool that is delivered by the sector for the sector. A team of senior local government councillors and officers undertook a review of key finance, performance and governance information to provide robust, strategic challenge and support. It is an added level of overall assurance.

6.3.2 The outcome of the review, the recommendations and the action plan were reported to cabinet in February 2024⁷. Overall, the review stated that the London Borough of Southwark was a good council, with prudent financial management, with a well owned council delivery plan working to deliver new strategic priorities.

6.3.3 The peer review acknowledged that finances were stable, with a good level of reserves. But recognised that the council would not be immune to the challenges across local government for long term sustainability and trends across the sector towards increasing spending. The most urgent of these for Southwark was the HRA and the large capital housing investment programme, increasingly affected by interest rate pressures and construction inflation.

6.3.4 The areas that the peer challenge highlighted as potential focus areas included the housing repairs service, due to the council's very large housing stock and the resultant significant pressures in terms of the demand for and cost of repairs and maintenance. Other key areas highlighted were the ambitions for the new 2030 Strategy, which will require a number of transformation programmes,

⁷ Agenda item 7, 'Southwark Council Corporate Peer Challenge' 5 February 2024.

including a digital strategy, a focus on performance outcomes and improvements to resident access for requests, complaints, Freedom of Access (Fol) and Subject Access Requests (SARs).

6.3.4 Following the recommendations, an action plan was developed to ensure the council moved in a direction of continuous development and improvement. These recommendations were consolidated under three broad headings:-

- Strategic direction of the council
- Service specific recommendations
- Future southwark capacity and corporate infrastructure

Detailed work streams have been put in place, with strategic lead officers assigned responsibility for achieving key milestones within defined timescales.

6.3.5 Many of the recommendations related to work that was already underway. These were: -

- Three year medium term financial strategy (MTFS)
- Council Delivery Plan (CDP)
- Housing Repairs Improvement
- HRA recovery plan

Cyber security

6.3.6 Attempted cyber-attacks are a significant and on-going risk for local government. The council has been subject to a recent cyber incident. The occurrence was isolated and only involved a minimal amount of non-sensitive data. Recognising the importance of our on-line security and that of our systems, the council is continually reviewing and improving its cyber protection measures to ensure the security and privacy of our community's digital environment against changing threats. All council staff are required to undertake mandatory cyber security training to ensure that staff are aware of the importance of this area and how attacks can happen. This proactive approach aims to reinforce our commitment to safeguarding against any future cyber challenges.

Areas of significant change – looking forward to 2024-25 and the medium term

6.4 The council also faces a number of areas of significant change that will require consideration and action as appropriate in 2024-25 and the medium-term. Significant issues we have identified are summarised in Table 3 and discussed in paragraphs 6.4.1.

Table 3: Looking forward to 2024-25 and the medium term

Areas of Significant Change 2024-25	Action	Section and paragraph
Housing Revenue Account (HRA) – medium and long term sustainability	Agreed HRA recovery plan in the medium and long term	6.4.1-6.4.2
Elections	Planned resourcing of elections	6.4.3
Medium term funding of local government	The council's medium term financial strategy is set with prudent assumptions on future resources and updates reported regularly to cabinet	6.4.4-6.4.6
Statutory changes to Procurement	The council is preparing legislative changes in procurement	6.4.7-6.4.8
Replacement of the Enterprise Resource Planning (ERP) System	Replacement of ERP system has been well planned	6.4.9-4.6.11
Ongoing Improvements in governance	Series of strategies in the medium term	6.4.12

Housing Revenue Account (HRA) sustainability

6.4.1 The 2023-24 outturn position was a gross overspend on tenant facing budgets of £31.3m which was partially offset by finance underspends, showing a final adverse variance of £16.4m. The council's Housing Revenue Account (HRA) remains under severe financial strain. It should be noted that the pressures on the HRA are not unique to Southwark. The impact of external factors noted in paragraph 6.2.2, although impacting on all councils responsible for social housing, has a more pronounced impact for Southwark, given the size of its social housing stock.

6.4.2 A clear suite of actions have been agreed through the 'HRA Recovery Plan' including a housing repairs improvement programme, an end to end review of void properties and the refresh of the asset management strategy. Governance arrangements have been strengthened through spending controls and a review of the department's scheme of management. Specific actions were reported

to cabinet in June 2024 and subject to regular and robust monitoring. In 2024-25 and in the long term, the HRA sustainability will continue to be a council strategic priority.

Elections

6.4.3. There were two major elections scheduled for 2024-25 the Greater London Assembly which took place in May 2024 and the Parliamentary Election in July 2024. The increased levels of postal votes and the move to voter ID presented a potential risk within the democratic process. The council planned carefully, had an experienced elections team and clear leadership in place to support this the changes to voting.

Medium term funding of local government

6.4.4 In the Spring Budget on 6 March 2024, the then Chancellor, Jeremy Hunt, made few significant changes to public spending. The new Chancellor, Rachel Reeves is to launch a multi year Spending Review in Spring 2025, which will set spending plans for a minimum of three years of the five year forecast period. Departmental expenditure limits for 2025-26 will be set alongside the Budget on 30 October 2024, which will also confirm control totals for 2024-25.

6.4.5. The IFS⁸ suggested that for any incoming government the macroeconomic climate in the medium term would be challenging and the options for turning things round will be limited without greater than expected growth in national income per capita. Household income remains lower than in 2019, the tax burden the highest since 1948, and the prediction is that low growth coupled with high debt interest will create extremely difficult choices for this new parliament. The IFS predicted before the election, that real growth per person of 1% over all public services to 2028-29, translated to cuts to unprotected areas, such as local government, of up to 3.5% per year. With population estimates rising more than expected, the pressure on public budgets per person might be even higher.

6.4.6. Funding levels over the next 4 years is likely to be severely strained. The council's three year medium term financial plan 2024-25 to 2026-27 has taken these predictions into consideration and presents a prudent view of government funding levels. The July 2024 cabinet report updated the Medium Term Financial Strategy. The three year savings targets will be closely monitored, and any emerging cost pressures (together with mitigating actions) will be dealt with in a timely and constructive manner.

⁸ [Spring Budget 2024: IFS presentations | Institute for Fiscal Studies](#)

Statutory Changes to Procurement

6.4.7 *The Procurement Act 2023*, due to come into effect in late 2024, is set to be a significant change to the way local authorities procure goods, works and services as well as framework agreements and concessions contracts. Briefly, there will be tighter legislative controls and prescribed levels of required transparency across the whole procurement process including:

- The codification of the National Procurement Policy Statement (NPPS) which allows the government to set wider policy objectives to which it expects public procurement to contribute.
- Mandatory publishing of contract details including the performance of the contract through a set of Key Performance Indicators (KPIs) for larger contracts.

6.4.8. The procurement framework for Southwark will be reviewed in late 2024, taking account of the both the requirements of the new procurement regulations and the corporate vision - Southwark 2030. It will also carefully consider how to support local businesses, ensure the council delivers value for money to residents, within a clear and consistent governance framework. In addition, the council has established a work stream around the development of an organisation-wide social value policy covering both procurement and planning, which will be delivered and monitored through this renewed framework.

Enterprise Resource Planning (ERP) system

6.4.9 Southwark has used the current Enterprise Resource Planning (ERP) system 'SAP' for HR and Payroll, Finance and Purchase to Pay since 1999. The council is currently undertaking a procurement exercise to replace the existing system. This is a major organisational transformation programme of systems, structure, culture, processes and procedures. The council will commence procurement in June 2024 and in line with sound governance arrangements with implementation expected to commence May 2025 and estimated to take approximately 2 years to implement.

6.4.10 The transformation programme has a strong governance structure in line with a programme of its size and complexity, including sponsorship by the Strategic Director of Finance and led by a programme director and delivered through four distinct work streams of

- HR
- Finance including Purchase to Pay
- Technology
- Procurement

6.4.11 The council has identified the major risks, issues and mitigations which affect the programme in the areas of procurement, data, culture change, costs and timescales.

Ongoing improvements in Governance

6.4.12 As discussed above, the council continues to commit to a shared long term vision of the future through Future Southwark and Southwark 2030. This vision embraces a one council approach with good governance embedded at each stage and in the actions and behaviours of council staff and members. In the medium term, the vision has been translated into a series of approaches to support this transformation process and good governance arrangements. These include:

- (i) A newly formed Corporate Change Board to oversee the Future Southwark Programme and cross council transformation activity. Integrated reporting on key council change programmes has been established to ensure that the organisation understands the synergies between programmes, is assured of delivery, develops connections and supports cross council collaboration.

The fundamental purpose of this work has been to shift to a whole-organisation approach around three themes;

- How we work; the approaches, tools, policies, values, ways of working and behaviours that we will need for the future
 - Where we work; making sure we have fit for purpose places for work, and that they are professionally managed and maintained
 - Our skills for work; the skills, teams, methods and infrastructure that we need to be fit for the future
- (ii) Reviewing progress of the council delivery plan (including lessons learned from current transformation activity) and performance monitoring systems to reshape the transformation activity whilst ensuring alignment with the emerging vision and ambition set out by Southwark 2030.
 - (iii) Departments have refreshed their business plans to capture the key departmental priorities, with quarterly monitoring, through departmental management teams, of the most significant departmental KPIs (focused on strategic, operational, financial and workforce priorities). Risk registers and business continuity plans have also been updated.
 - (iv) The council's responses to Freedom of Information and Subject Access Requests highlighted in the peer review, will be subject to an audit will be carried out in spring 2024 with an improvement plan implemented across all services. There will be additional regular reporting to the Corporate Management Team (CMT) to allow corporate oversight on all areas.
 - (v) A review of the member code of conduct is underway with the full participation of all members. A working group has been established chaired by the Monitoring Officer and two workshops with members has taken place. The plan is to have a revised code of conduct by March 2025.

- (vi) Following a review of governance arrangements for Safeguarding undertaken by the Independent Chair of the Children’s & Adults Safeguarding Partnerships, the arrangements for governance around the statutory community safety partnership have been refreshed and a new Partnership board launched on a par with the Children’s and Adults Partnerships. This board will oversee compliance with the statutory duty across the partnership. Among other things that Board will play a key role in the Serious Violence Duty which came into force in January 2023 and will sign off a partnership strategy and strategic needs assessment of Domestic Abuse.
- (vii) An updated review of capital governance with the establishment of a new Capital Board, which will assess new capital projects in terms of priority and affordability.

Conclusion

8.1 The council has been hugely impacted by the macro-economic climate, high inflation and interest rates and the consequent ongoing cost of living crisis in 2023-24. This annual governance statement details how the council have responded to these external pressures as well as highlighting particular areas of risk. Additional assurances, transformation and improvement plans have proactively been put in place to ensure that Southwark council remains resilient and ensures robust governance arrangements are in place to meet future challenges and changes.

8.2 The council is satisfied that appropriate governance arrangements are in place. We propose over the coming year to take steps to address the matters identified above to further enhance our governance arrangements in these challenging times.

Signed on behalf of Southwark Council:

Althea Loderick

Chief Executive
Date:

Kieron Williams

Leader of the Council
Date:

Meeting Name:	Audit, Governance and Standards Committee
Date:	5 September 2024
Report title:	2024-25 Q1 report of the Corporate Anti-Fraud Team and the Special Investigations Team
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	n/a

RECOMMENDATION

1. That the audit, governance and standards committee note the 2024-25 Q1 report of the Corporate Anti-fraud Team and the Special Investigations Team.

BACKGROUND INFORMATION

2. This report summarises the work of the Corporate Anti-Fraud Team (CAFT) and Special Investigations Team (SIT) for the first quarter 1 April 2024 to 30 June 2024.

KEY ISSUES FOR CONSIDERATION

2024-25 Investigations

3. There were 20 corporate anti-fraud and 6 blue badge investigations carried over from the 2023-24 year. Table 1 summarises the Corporate Anti-Fraud Team investigations referred between 1 April 2024 to 30 June 2024.

Table 1: Summary of the anti-fraud caseload Q1 2024/25

2024-25	Corporate Anti-Fraud		Homeless		Housing - Waiting List		Right to Buy		Blue Badge	
	Open	Closed	Open	Closed	Open	Closed	Open	Closed	Open	Closed
c/f	20		0		0		0		6	
Apr	6	4	2	0	5	0	3	3	1	0
May	14	9	1	0	3	3	3	1	6	6
Jun	7	3	2	1	1	4	3	3	0	0
Total	47	16	5	1	9	7	9	7	13	6

Corporate Anti-Fraud investigations

4. Table 2 shows the 31 open corporate cases categorised across the council. The majority of corporate anti-fraud investigations are minor in nature and include areas such as declaration of interests, concurrent working etc.

Table 2: Corporate Anti-fraud Team Investigations by council directorate

Corporate Anti-Fraud Team Investigations Directorate	2024 - 25	
	Internal	External
Chief Executive Office	0	5
Finance	2	5
Children & Adults	5	7
Environment, Neighbourhoods & Growth	1	2
Housing	1	3
Strategy & Communities	0	0
Governance & Assurance	0	0

Homelessness and Housing waiting lists

5. The Team undertakes reviews of the housing waiting list and also those homelessness applications which are a cause for concern, such as suspicious supporting documents i.e., pay slips, bank statements, contrived overcrowding in order to be placed on the housing list.
6. In 2024/5 Q1, the team received referrals for 5 Homelessness applications and 9 Housing waiting list applications.
 - 1 Homeless application case was denied. Information obtained suggested that the applicant had provided false information regarding their circumstances to gain housing, or they have not provided sufficient evidence in response to enquiries. 4 homeless applications are under investigation.
 - 3 waiting list applications were denied and 4 cases were maintained. 2 cases are under investigation awaiting.

Right to Buy (RTB)

7. The council checks 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, the team reviews the source of cash funding and makes a recommendation to the RTB team. For each case denied or withdrawn a standard cash 'saving' to the council is assumed at £127,900.
8. In 2024-25 Q1 there have been 9 referrals
 - 7 cases have been closed after review and referred back to the RTB Team to progress the application.
 - 2 cases are waiting further information concerning the source of the funding.

Blue Badge

9. The Corporate Anti-Fraud Team (CAFT) support referrals for 'Blue Badge'

fraud and misuse as part of an Environment, Neighbourhoods and Growth (ENG) directorate initiative, which outsources the investigation and prosecution of Blue Badge irregularities to an external contractor, BBFI. Cases where blue badges are issued outside the borough are forwarded to the issuing authority.

10. Blue Badge Fraud Hotline cases in April 2024 – June 2024.

Closed No Further Action	6
Under investigation	7
Total	13

(6 Blue Badge CAFT referrals were carried forward from 2023/24)

For those that are described as 'No Further Action', the cars were not found to be using a Blue Badge.

11. For the proactive, BBFI foot Patrols (not referrals), 23 cases in total have been put forward to the legal department for prosecution since April 2024. Of those cases:

- 6 are currently with the court and are the process of being decided.
- 9 are awaiting the prosecutor's decision as to whether those cases meet the prosecution threshold.
- 5 have been discontinued, withdrawn or not proceeded with.
- 3 cases have recorded convictions
- 0 cases have recorded acquittals.

National Fraud Initiative (NFI)

12. 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 match. Where a match is found, there may be an inconsistency that requires further investigation.

13. The Cabinet Office are expected to release the data specifications for the 2024 exercise in September 2024. The results of all data matching will be released from late January 2025. 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.

- a. Risk Logic- a set criteria for each dataset combination which indicates when a fraudulent outcome is more likely to occur and
- b. Footprint Score - a set of criteria associated with the number of times an individual appears across all NFI data at the address and informs a risk.

14. The council has a mandated duty to submit Electoral Registry and Council Tax data to The Cabinet Office National Fraud Initiative (NFI) on an annual basis. This data is uploaded to the NFI in January 2025 and returned the same month. This match identifies 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.

Housing Tenancy Counter Fraud Activity 2023-24 Q1

15. The Special Investigations Team (SIT) investigates 'housing tenancy fraud' in respect of the housing stock owned and managed by the council and other social housing where legislation directs that a local authority has specific responsibility. This includes cases of unlawful subletting, non-occupation, succession, assignment, mutual exchange, right to buy and housing register application fraud, unless otherwise agreed. The team are based within Residents Services within the Accommodation and Support Business Unit. The team operates reactively and proactively.
16. 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.

Table 3: Summary of Housing Tenancy Investigations 2024-25 Q1

SIT 2024/25 Q1	April	May	June	YTD
Open cases Month Start	483	487	496	483
Reactive Referrals Received	23	23	28	74
Verification Referrals Received	2	6	8	16
Proactive Referrals Received	2	0	0	2
Investigations Opened	27	29	36	92
Investigations Closed	23	20	18	61
Open Cases Month End	487	496	514	514
Properties Recovered	1	4	1	6
Frauds Prevented	0	4	4	8
Other Positive Outcomes	0	2	3	5
Value of Fraud Detected (£000's)	39	191	99	329

17. In addition to the properties recovered by the Special Investigations Team a further 13 properties have been recovered by Area Housing Management as a result of unlawful or illegal occupation.
18. Delays in the court system continue to impact the recovery of properties. The Ministry of Justice quarterly statistics for January to March 2024 (published

June 2024) show that, nationally, there has been a 10% increase in possession claims compared to the same period in 2023; at the same time there has been a 26% drop in trials and the average time for cases to reach trial (from a claim being issued) is approximately 67 weeks.

19. The Special Investigations Team continue to seek to engage with tenants prior to the issue of claims to obtain possession without the need for legal action where possible.
20. Table 4 shows the number of notices served where the Special Investigations Team have established sufficient evidence to determine that a secure tenancy should be ended due to illegal occupation; service of a notice is the start of the legal process to obtain possession. Also shown is the current level of cases with legal services.

Table 4: Notices Served

2024/25 Q1	April	May	June	YTD
Notices Served	4	3	1	8
Cases Referred to Legal Services	1	1	1	3
Cases with Legal Services (total)	20	21	21	21
Claims Issued by Court	0	2	0	2

Enhanced Verification

21. As part of the proactive plan SIT, review all applications received for changes to existing secure tenancies including all applications for succession, assignment, mutual exchange and name changes. SIT review the applications and information received and make a recommendation, within 20 working days, to the Area Housing Management to either accept or deny the application or to request further information/clarification from the applicant. A breakdown of this work is shown in the Table 5 below:

Table 5: Enhanced Verification

Enhanced Verification	April	May	June	YTD Total
Received	2	6	8	16
Within 20 w/days	2	6	8	16
Accept	1	2	4	7
Deny	0	1	1	2
Further Info	1	3	0	4

22. The value of fraud detected by the Special Investigations Team from the various work streams is shown in the Table 6 below:

23. The value of recovered properties by is calculated using a standard Tenancy Fraud Forum/Fraud Advisory Panel formula which is generally adopted by local authorities and is based on average, net, TA cost multiplied by average length of illegal occupation plus average investigation, legal and other costs. For southwark, this is £15k per property for tenancies prevented and £39k for illegal occupation.

Table 6: Fraud Value

2024/25	April	May	June	YTD
Value detected Illegal Occupation (£000's)	39	156	39	234
Value detected RTB prevented (£000's)	0	0	0	0
Value detected Tenancy prevented (£000's)	0	30	60	90
Other (£000's)	0	5	0	5
Total	39	191	99	329

Staffing, Recruitment and Training

24. CAFT has a compliment of 6 posts. 1 manager leading 3 teams. Currently there are 3 vacancies. Following a recent internal recruitment exercise 2 posts have been filled - a Senior Investigations Officer and a Fraud & Verification Officer who will start in late August 2024. Both officers were recruited from the Special Investigations Team. Recruitment for the trainee vacancy will commence in August.
25. SIT has a compliment of a manager and 8 investigations officers. One officer is currently awaiting confirmation that they have successfully achieved the Accredited Counter Fraud Specialist qualification (confirmed has passed in July 2024).

Policy framework implications

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

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

27. 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

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

Health impact statement

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

Climate change implications

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

31. to have any climate change implications

Resource implications

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

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

33. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Tim Jones, Director of Corporate Finance	
Report Author	Paul Bergin, Corporate Anti-Fraud Manager Chris Flemyng, Special Investigations Team Manager	
Version	Final	
Dated	10 August 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant Chief Executive, Governance and Assurance	n/a	n/a
Strategic Director, Finance	n/a	n/a
Cabinet Member	No	No
Date final report sent to Constitutional Team	10 August 2024	

Meeting Name:	Audit, Governance and Standards Committee
Date:	5 September 2024
Report title:	Housing Revenue Account Update
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Ian Young, Assistant Director of Finance

RECOMMENDATION

1. The Committee is asked to note the report.

BACKGROUND INFORMATION

2. At a previous Committee, Members asked to be kept informed on progress made in relation to improving the financial health of the Council's Housing Revenue Account. This matter was flagged as a risk in a recent external auditor's report. It was agreed that periodic information update reports be brought to Committee to provide Members with visibility of progress being made.
3. During discussion, members were informed that the Council has devised a HRA Recovery Plan to strategically control the path of delivery over coming years. This report seeks to update the Committee on the key components of that plan and also outlines the HRA outturn position for 2023/24. Updates on 2024/25 budget delivery will be brought to future committees.

HRA Recovery Plan

4. The council manages its housing stock through its ring-fenced landlord account, the Housing Revenue Account (HRA). Early in the last financial year, it was clear that the HRA had structural financial issues and that, if not immediately tackled, would lead to greater difficulties in the future.
5. This position is the result of several factors, some of which are outside the council's control, such as government policy and macro-economic events which include:

Macro-economic factors

- The cumulative effect of a government imposed 1% rent reduction for four years for the period 2016-17 to 2019-20, running into hundreds of millions in income foregone.
- A government imposed 7% cap on rents from 1st April 2023, when formula

- rent would have yielded 11.1%, an annual loss of £9m+ in the current year and a reduced income base going forward,
- Unfunded additional burdens arising from the Fire Safety and Building Safety Acts of 2020 and 2021,
 - Unprecedented construction industry inflationary pressure.

Internal Factors

- The additional borrowing requirement for the new homes and asset management programmes compounded by the impact of a three-fold increase in interest rates since December 2021, which has substantially increased the revenue impact of financing costs in the HRA.
6. Immediate steps were taken to mitigate the pressures within the HRA.
 - Strengthened governance arrangements including the creation of an officer Budget Recovery Board, jointly chaired by the Strategic Directors of Finance and Housing, to oversee the progress towards a financially sustainable HRA,
 - A moratorium on non-essential spend.
 - A freeze on non-essential recruitment.
 7. Alongside steps to bring the HRA onto a sustainable footing in the medium to long term through agreeing revised cash limits for services to operate within. These cash limits would reset the baseline for future budget allocations.
 8. These cash limits have been agreed with service directors, who have been planning on how service delivery can be maximised within limited financial resources. The cash limits themselves fully distribute the planned HRA financial resources across services, with little held as an in-year contingency. Therefore, there is limited scope for dealing with financial pressures not contained within these agreed cash limits, except for using already-diminishing reserves.
 9. To deliver these cash limits, estimated savings of c£19m would be required. Services reviewed options and presented savings that would be achieved within the 2024-2024 financial year, which would be monitored by the Budget Recovery Board during the year.

KEY ISSUES FOR CONSIDERATION

2023 / 24 HRA Financial Performance

10. The gross overspend on tenant facing budgets of £31.3m was partially offset by financing and one-off underspends, showed a final adverse variance of £16.4m (Table 1) before mitigations to bring the HRA into a balanced position.
11. To balance the £16.4m overspend, capital spend that would normally have been funded through revenue contributions, has been funded through additional unplanned borrowing. Overspends on the Asset Management programme mean that, a total of £59m has been borrowed for Asset

Management in 2023-24. This is the first time the council has had to do this, having previously earmarked all borrowing for the New Homes programme.

Table 1 HRA Outturn 2023-24

Category		Outturn	Variance	Change since M8
	£000	£000	£000	£000
HRA Expenditure				
Resident Services (Housing Management)	59,636	73,181	13,545	2,838
Asset Management (Repairs and Maintenance)	69,629	85,323	15,694	3,373
New Homes	670	984	314	-180
Customer Services	5,272	7,091	1,819	109
Directorate	1,952	1,926	-26	205
Total Tenant Facing Services	137,158	168,505	31,347	6,346
Exchequer Services (incl. Homeowner Services)	16,439	19,642	3,203	-904
Central Services	31,958	26,949	-5,009	-1,521
Heating Account	15,498	24,145	8,647	4,905
Total Corporate Support Services	63,895	70,736	6,841	2,480
Debt Financing	32,505	25,066	-7,439	-3,436
Depreciation	53,000	46,857	-6,143	-4,643
Revenue Contribution to Capital	22,987	17,039	-5,948	1,652
Total Capital Financing	108,492	88,962	-19,530	-3,947
Capital, Financing and Support Services	172,386	159,698	-12,688	-3,947
Total HRA Expenditure	309,545	328,203	18,658	2,399
HRA Income				
Tenant and Homeowner Charges	-294,238	-295,626	-1,388	-2,662
Non-residential Property Charges	-15,307	-16,225	-918	-319
Total HRA Income	-309,545	-311,851	-2,306	-2,981
Total HRA	0	16,352	16,352	-581
Mitigation Measures to Balance the HRA				
Reduce Revenue Contribution to Capital		-13,815		
Application of Reserves		-2,537		
		0		

HRA - Mitigating Actions

12. Previously, to address the situation, the council had collectively assessed options to manage the short-term pressure by reducing in-year spend. Additionally, more medium to longer term actions were undertaken to further moderate the future impact of this through, for example, the repairs improvement programme, an end-to-end review of void properties and the refresh of the asset management strategy.
13. Additionally, the scheme of management has been reviewed and robust spending controls implemented. It continues to be a council strategic priority to consider how the HRA can be managed in the longer term to ensure financial sustainability, including:
 - Setting cash limits within which services are required to operate,
 - Improving procurement practices and continue to embed more robust contract management to maximise outcomes and achieve value for money,
 - Agreeing a plan to maintain HRA reserves to their current level and to increase to a more prudent level over the medium term,
 - Continuing to lobby central government, for appropriate funding for social housing,
 - Limiting and ultimately repaying any borrowing for the asset management capital programme,
 - Maximising capital receipts through the sale of uneconomic assets and land to reduce the borrowing burden on the HRA,
 - Applying prudent viability criteria to all new build projects to minimise the need for borrowing,
 - Pausing a small number of new build schemes to limit the council's borrowing and ensure that interest repayments remain affordable,
 - Taking all necessary steps to limit the impact of capital financing on the HRA to an affordable level, considering all other service demands and priorities.
14. It should be noted that the pressures on the HRA are not unique to Southwark. The impact of the rent capping policy and rent increases below inflation, coupled with above inflation running costs, rising interest rates and energy costs are impacting on all councils responsible for social housing. But the impact is more pronounced for Southwark given it has the largest social housing stock in London and is the fourth largest social landlord in the country.
15. To protect the limited HRA reserves held, the deficit on the HRA will be managed by reducing the revenue contribution to funding capital expenditure. This is an approach that has been avoided previously as it adds additional pressure to the revenue account (through the interest payments on the borrowing) and it reduces the borrowing headroom available for the new build programme. This additional borrowing will increase the interest payable on debt by around £400k per year until repaid, further increasing the financial pressure into 2024-25 and beyond.
16. Additional borrowing of £59m has had to be undertaken for the asset management programme, which will incur additional interest payments over

and above the legacy debt and borrowing for the new homes programme. This is an unprecedented step by the council as a short-term measure within the HRA recovery plan.

2023-24 Tenant Facing Services

17. For 2023-24, an additional budget provision of £11.4m was made across tenant facing services. Despite the actions mentioned above, the cost of these services has continued to rise, increasing to £168.5m by year end, an overspend of £31.3m. The cash limit for 2024-25 were agreed based on a forecast position before this further increase, therefore a greater level of spend reduction will now need to take place in 2024-25, which has been reflected in the planned savings targets.
18. For resident services the main pressure areas were a higher volume and unit cost of estate voids, together with increases in the estate cleaning and grounds maintenance contract costs provided through the Environment, Neighbourhoods and Growth (ENG) department. This was predominantly driven by the 2023-24 pay award (which was higher than previously estimated). Other contributory factors were Tenant Management Organisation (TMO) costs, energy costs for estate lighting, council tax losses on long term voids and planned maintenance works on Tenant Resident Association (TRA) Halls.
19. For asset management, the main cost pressures were on repairs and maintenance to the housing stock, particularly through Southwark Repairs, where the final deficit was £12.2m, together with communal works, disrepair, voids and 'damp and mould' remedial work.
20. Within the new homes division, the nature of the work is predominantly project specific, therefore a high proportion of costs are capitalised. In 2023-24, the overspend reduced from a forecast of £0.5m to a final value of £0.3m. However, as the programme slows and re-phasing takes place, it is anticipated that costs will reduce from this year, which may impact on the level of capitalisation that can be charged and may give rise to abortive feasibility costs being charged to revenue.
21. Customer services has a relatively small revenue budget by comparison to others within the HRA (£5.3m), which covers a significant proportion of the costs of the contact centre, customer complaints and other housing specific services. Given extremely high call volumes and housing related activity the created an overspend of £1.8m in 2023-24 due to higher pay costs and additional resources that have been put in place to address severe capacity shortfalls, predominantly related to the repairs service and in anticipation of further call growth over the winter period.

Capital, Financing and Support Services

22. Whilst the cost of debt has increased following the decision to reduce the revenue contribution to fund capital expenditure, there have been other significant spend reductions in this area which has mitigated the increased expenditure in tenants facing services. As interest rates payable on debt has

increased, so has interest receivable on cash balances. This generated a windfall of £6m. Depreciation on dwelling stock has been revalued downwards, further increasing the capacity to temporarily offset spending pressures elsewhere within the HRA.

Tenant and Homeowner Charges

23. The final tenant rents and service charge income was higher than forecast in 2023-24 due to new homes coming online, a reduction in the rents foregone on void properties and homeowner income from loan interest and charges.
24. The overall recovery plan is also predicated on capital receipts from the disposal of appropriate properties. This process is on track to achieve the desired value of receipts. The sale of assets in 2024-25 is expected to achieve £25m.

Position of the HRA in 2024-25

25. The month 4 revenue and capital monitoring reports are on the September cabinet agenda. Both reports have updates on the HRA and HIP, savings delivery and progress towards a financially sustainable HRA.

Community impact statement

26. There are none

Equalities (including socio-economic) impact statement

27. There are none

Health impact statement

28. There are none.

Consultation

29. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Neil Moore, senior finance manager	
Version	Final	
Dated	20 August 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		20 August 2024

Meeting Name:	Audit, Governance and Standards Committee
Date:	5 September 2024
Report title:	Membership of audit, governance and standards sub-committees for 2024-25
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Assistant Chief Executive – Governance and Assurance

RECOMMENDATION

1. That the committee appoint one member to the vacant position on the audit, governance and standards (standards) sub-committee.
2. That the committee appoint one member to the vacant position on the audit, governance and standards (civic awards) sub-committee.

BACKGROUND INFORMATION

3. Southwark Council's constitution sets out as part of the role and responsibilities of the audit, governance and standards committee to establish the following sub-committees:
 - standards sub-committee; to consider complaints of misconduct against elected councillors and co-opted members
 - civic awards sub-committee; to consider civic awards.
4. The responsibilities of these two sub-committees are excerpted from the constitution below:

PART 3K: AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

Matters reserved for decision by the standards 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 audit, governance and standards committee.

43. To appoint non-voting co-opted members of the civic awards sub-committee.

KEY ISSUES FOR CONSIDERATION

5. The membership for these sub-committees is drawn from the main committee. It is constitutional to appoint reserve members of the audit, governance and standards committee to membership of the sub-committees.
6. In its June 2024 meeting, the audit, governance and standards committee appointed members to two of the positions of three in the standards sub-committee, and three of the four positions in the civic awards sub-committee.
7. These are:
 - Standards sub-committee**
Chair: Cllr Michael Situ (Lab)
Cllr Nick Johnson (Lib Dem)
+1
 - Civic awards sub-committee**
Chair: Cllr Barrie Hargrove (Lab)
Cllr Graham Neale (Lib Dem)
Cllr Margy Newens (Lab)
+1
8. There is one meeting of the civic awards sub-committee, around February of each year to discuss and agree the grants of civic awards.
9. The standards sub-committee meets when it is required on an ad hoc basis; it has been required once in the past five years.
10. The meeting of the audit, governance and standards committee of 14 July 2016 recommended that the civic awards sub-committee be gender-balanced, with at least two of the Southwark members and two of the community representatives serving on the sub-committee being women. This is not a constitutional requirement.
11. Sub-committees are not 'ordinary' committees and are each considered individually for the purposes of proportionality. So far as it is reasonably practicable to do so, the allocation of seats a sub-committee should bear the same proportion to the number of the seats held by that group on the council. The audit, governance and standards committee can agree an allocation that is disproportionate, provided no member votes against this.

12. The most proportionate allocation will depend on the number of members of the sub-committee. The following sub-committee sizes would provide the following allocation of places:

Sub-committee	Total	Lab	Lib Dem
Audit, governance and standards (civic awards) sub-committee	4	3	1
Audit, governance and standards (standards) sub-committee	3	2	1

Co-opted members of the civic awards sub-committee

13. 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.
14. Council assembly on 8 July 2015 resolved that from the 2015-16 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.
15. 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 must be women.
16. Recommendations for the position of co-opted members of the civic awards sub-committee will be sought from members of the audit, governance and standards committee in 2024.

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

Community impact statement

17. Clear arrangements concerning the accountability of members are very important for promoting high standards of conduct. In addition it is important in aiding the decision-making process and helping to boost public confidence in the council. These arrangements ensure that members of the public are aware of the process in place to ensure that high standards of conduct are maintained within the council.
18. 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

19. There are none.

Health impact statement

20. There are none.

Climate change implications

21. There are none.

Resource implications

22. There are none.

Consultation

23. None required.

APPENDICES

No.	Title
	None

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Southwark Council Constitution	Southwark Council, 160 Tooley Street, London SE1 2QH	Virginia Wynn-Jones 020 7525 7055

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Assistant Chief Executive – Governance and Assurance	
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer	
Version	Final	
Dated	27 August 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Assistant Chief Executive – Governance and Assurance	N/A	N/A
Strategic Director of Finance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	27 August 2024	

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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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 Councillor Maggie Browning By email
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 Councillor Andy Simmons 1
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