

# Audit, Governance and Standards Committee

Wednesday 13 November 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

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## INFORMATION FOR MEMBERS OF THE PUBLIC

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### Contact

Virginia Wynn-Jones on 020 7525 7055 or email: [virginia.wynn-jones@southwark.gov.uk](mailto:virginia.wynn-jones@southwark.gov.uk)

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Members of the committee are summoned to attend this meeting

**Althea Loderick**

Chief Executive

Date: 5 November 2024



## **Audit, Governance and Standards Committee**

Wednesday 13 November 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 - 5

To approve as a correct record the minutes of the open section of the meeting held on 5 September 2024.

<b>Item No.</b>	<b>Title</b>	<b>Page No.</b>
<b>6.</b>	<b>GOVERNANCE CONVERSATION: ASSISTANT CHIEF EXECUTIVE FOR STRATEGY AND COMMUNITIES</b>	
	Rhona Cadenhead, the interim assistant chief executive for strategy and communities, to attend the committee.	
<b>7.</b>	<b>CYBER SECURITY UPDATE</b>	6 - 13
<b>8.</b>	<b>MEMBER ENQUIRIES UPDATE</b>	14 - 21
<b>9.</b>	<b>TREASURY MANAGEMENT STRATEGY AND CAPITAL STRATEGY 2025-26</b>	22 - 52
<b>10.</b>	<b>INTERNAL AUDIT PROGRESS REPORT NOVEMBER 2024</b>	53 - 106
<b>11.</b>	<b>PROGRESS REPORT ON THE AUDIT OF THE STATEMENT OF ACCOUNTS 2023/24</b>	107 - 128
<b>12.</b>	<b>UPDATE: CORPORATE ANTI-FRAUD TEAM AND THE SPECIAL INVESTIGATIONS TEAM 2024-25 Q2</b>	129 - 137
<b>13.</b>	<b>REVIEW OF THE MEMBERS' CODE OF CONDUCT UPDATE</b>	138 - 141
<b>14.</b>	<b>REVIEW OF COMMUNICATIONS PROTOCOL</b>	142 - 164
<b>15.</b>	<b>INDEPENDENT MEMBERS OF THE AUDIT, GOVERNANCE AND STANDARDS (CIVIC AWARDS) SUB-COMMITTEE: RECOMMENDATIONS</b>	165 - 168

**ANY OTHER OPEN BUSINESS AS NOTIFIED AT THE START OF THE MEETING AND ACCEPTED BY THE CHAIR AS URGENT**

**EXCLUSION OF PRESS AND PUBLIC**

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

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

**Item No.**

**Title**

**Page No.**

**PART B - CLOSED BUSINESS**

Date: 5 November 2024



## Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Thursday 5 September 2024 at 6.30 pm at Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1 2QH

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<b>PRESENT:</b>	Councillor Barrie Hargrove (Chair) Councillor Maggie Browning Councillor Dora Dixon-Fyle MBE Councillor Graham Neale Councillor Andy Simmons Councillor Michael Situ
<b>OFFICER SUPPORT:</b>	Clive Palfreyman, strategic director for resources Toni Ainge, interim strategic director for environment, neighbourhoods and growth Joanne Brown, Grant Thornton Amarjit Uppal, chief accountant Tim Jones, director of corporate finance Paul Bergin, manager, anti-fraud Fleur Nieboer, KPMG Phillip Kent, KPMG Angela Mason-Bell, BDO Aaron Winter, BDO Virginia Wynn-Jones, constitutional team

### 1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Nick Johnson.

### 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 meeting of 3 June 2024 were agreed as a correct record.

#### 6. GOVERNANCE CONVERSATION: STRATEGIC DIRECTOR OF ENVIRONMENT, NEIGHBOURHOODS AND GROWTH

Toni Ainge, interim strategic director for environment, neighbourhoods and growth, presented to the committee.

Officers undertook to ensure that the results from parking reports are published on the website within the statutory deadlines and ideally earlier.

Officers undertook to bring the committee information about consultations with area fora on the TfL delivery plan.

The committee thanked Toni for her conversation.

#### 7. AUDITOR'S ANNUAL REPORT ON SOUTHWARK COUNCIL 2022-23

Grant Thornton presented the report.

Officers undertook to circulate information on the TMO liaison management committee to the committee.

The committee noted their extensive conversations on community housing schemes and TMOs at previous committee meetings, and appreciated the work put into this issue.

The committee thanked the member of the public who raised the issue with the 2021-22 accounts for their attention and support.

The committee thanked Grant Thornton for their work as the council's external auditor.

#### **RESOLVED:**

That the committee noted the external auditor's annual report for 2022-23, as attached at Appendix A of the report.

**8. PROGRESS REPORT ON IMPLEMENTATION OF RECOMMENDATIONS FROM EXTERNAL AUDIT ACTION PLAN**

Officers introduced the report. The committee had questions of the officers.

**RESOLVED:**

That the committee noted the progress on implementation of recommendations from external audit reports for 2021-22 and 2022-23.

**9. AUDIT PROGRESS UPDATE FOR THE YEAR ENDING 31 MARCH 2024**

KPMG presented the report. Councillors had questions for KPMG.

**RESOLVED:**

That the committee note the audit progress update for the year ending 31 March 2024, as attached at Appendix A of the report.

**10. EXTERNAL AUDIT PLAN & STRATEGY FOR SOUTHWARK PENSION FUND 2023/24**

KPMG presented the report. Councillors had questions for KPMG.

**RESOLVED:**

That the committee note the external audit plan for 2023-24 for Southwark Pension Fund, as attached at Appendix A of the report.

**11. INTERNAL AUDIT PROGRESS REPORT 2023-24 AND 2024-25**

BDO presented the report. Councillors had questions for BDO.

BDO undertook to update the bottom paragraphs on pages 102 and 103 of the agenda (pp 13-14 internal numbering).

Officers undertook to bring a full report on cyber-security and IT hardware asset management to the committee.

**RESOLVED:**

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

**12. INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE 2023-24, AND SCHOOLS ANNUAL SUMMARY REPORT 2023-24**

BDO presented the report. Councillors had questions for BDO.

**RESOLVED:**

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

**13. DRAFT 2023/24 STATEMENT OF ACCOUNTS FOR SOUTHWARK COUNCIL**

Officers presented the report. Councillors had questions for the officers.

Officers undertook to arrange an informal session to discuss the accounts with members outside of the committee.

Officers undertook to confirm whether there were any questions or challenges on the accounts before the November meeting of the audit, governance and standards committee.

Officers undertook to confirm references to specific data within the accounts before the November meeting of the audit, governance and standards committee.

Officers undertook to bring back a report looking at the risks and governance around updating the council through the Southwark360 programme to the February meeting of the audit, governance and standards committee.

**RESOLVED:**

That the committee noted the draft 2023/24 statement of accounts at appendix B of the report.

**14. ANNUAL GOVERNANCE REPORT 2023-24**

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

**RESOLVED:**

The audit, governance and standards committee approved the Annual Governance Statement (AGS) 2023-24 as attached at Appendix 1 of the report.

**15. 2024-25 Q1 REPORT OF THE CORPORATE ANTI-FRAUD TEAM AND THE SPECIAL INVESTIGATIONS TEAM**

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

**RESOLVED:**



The audit, governance and standards committee noted the 2024-25 Q1 report of the Corporate Anti-fraud Team and the Special Investigations Team.

**16. HOUSING REVENUE ACCOUNT UPDATE**

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

Officers undertook to bring a further update on resident engagement to the committee on the HRA, including the budgets for detailed issues such as cleaning, estate care, and damp and mould.

**RESOLVED:**

The committee noted the report.

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

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

**RESOLVED:**

That the committee appoint Councillor Dora Dixon-Fyle to the vacant position on the audit, governance and standards (standards) sub-committee.

That the committee appoint Councillor Dora Dixon-Fyle to the vacant position on the audit, governance and standards (civic awards) sub-committee.

Meeting ended at 8.45 pm

**CHAIR:**

**DATED:**

<b>Meeting Name:</b>	Audit, Governance and Standards Committee
<b>Date:</b>	1 November 2024
<b>Report title:</b>	Cyber Security Update
<b>Ward(s) or groups affected:</b>	N/A
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	N/A
<b>From:</b>	Dionne Lowndes, Chief Digital and Technology Officer Fabio Negro, Managing Director, Shared Technology Services

## RECOMMENDATIONS

1. That the committee note the actions being taken in response to the BDO Audit, and their current status.
2. That the committee note that Shared Technology Service have procured a managed Security Operations Centre (SOC), with transitioning beginning in November 2024, to provide more comprehensive security coverage and capability, further strengthening our resilience.

## BACKGROUND INFORMATION

3. This report provides an update on the work done to address the findings identified in the BDO Cyber Security Audit, dated August 2024.
4. We have committed through our Digital & Technology Strategy 2024-2026, Southwark 2030 and the Council Plan to continually improve how we manage our technology and digital services as being crucial to responding to local needs, operating with reduced budgets, and adaptive to changes in the technology world.
5. By prioritising cyber security, we can prevent potential threats, minimise risks, and ensure that our authority continues to operate effectively and securely. The safety and the integrity of our services and data are our top priorities, and strong cyber security is fundamental to achieving this.
6. We will do this by using Central Government’s Cyber Security Framework ensuring we appropriately manage risk, protect ourselves from attack, prevent through detection and have suitably robust and expedient plans in place to minimise impact of any incident should it occur.
7. The Cyber Security Strategy will sit within the Technology & Digital Strategy

Framework underpinned by a library of policies created to ensure our staff follow the necessary practices in their duties. It places the responsibility on everyone in the organisation to ensure they actively participate in safeguarding our digital infrastructure, services and data.

8. Working with our Shared Technology Services Partner (STS), we are adopting the National Cyber Security Centre (NCSC) Cyber Assessment Framework (CAF) as our assurance framework.
9. The Ministry of Housing, Communities and Local Government (MHCLG) have been working with a small cohort of councils, which has included Southwark, to explore how local authorities should use the NCSC's CAF to assess and improve their cyber resilience and as the standard way of assessing cyber risk before the commencement of a nationwide rollout.
10. Southwark opted to volunteer for inclusion within this group as early adopters and support ongoing shared learnings that will go on to assist other UK councils, and therefore improving the broader support network in our sector.
11. The framework consists of a set of 14 cyber security and resilience principles, aimed at helping organisations achieve and demonstrate an appropriate level of cyber resilience.
12. The principles define a set of top-level outcomes that describe good cyber security functions, centred on four objectives. Each principle is accompanied by a guidance for achieving the outcome and recommends some ways to tackle common cyber security challenges.
13. Southwark and MHCLG have worked together on completing a CAF-lite version.
14. The final version is due for submission in the week commencing 4 November 2024, and we will hear the outcome later this year.
15. This is not a pass or fail exercise, but it will however provide further independent analysis of the efficacy of aspects relating to cyber security and what gaps and/or ongoing improvements could be addressed.
16. Alongside the internal and external audits and participation in the MHCLG CAF-lite, Technology Digital Services have also commenced a self-assessment of the full NCSC CAF, expected to conclude mid-November.
17. In doing so, this provides us with the following:
  - Baseline of our current position
  - Understand our risk profile
  - A plan to create a mitigating set of actions for each risk, which may include but not limited to;
    - implementation of or, changes to, policies and procedures
    - investment in security related tooling, people and/or replacement technologies
  - Staff training programme to educate and reinforce expected ways of working

- Appropriate governance forums to monitor open risks, cyclically re-assessed through the Audit workplan, CAF self-audits and assessments
  - Continual learnings from our findings, implementing additional measures and/or recommend improvements to improve our security posture
18. These findings tie into the ongoing management of the organisational operating landscape and IT architecture that are monitored, updated through new controls and governance, tooling investment, technology replacement programmes and staff engagement programmes in order to continually improve our security posture and decrease our risk exposure.
  19. Items arising from the CAF Assessment, audits and business as usual (BAU) operational monitoring are added to a security risk register, which is a standing agenda item continually reviewed at the Information Governance and Security Group chaired by Head of Technology & Transformation within Southwark and involves, where appropriate, the council's IT providers and suppliers, which meets fortnightly. This forum was formed over the summer.
  20. At the SIRO Board, which meets quarterly, chaired by Strategic Director of Resources, attended by Southwark's Chief Digital & Technology Officer and STS Head of Cyber Security to report on new and progress of existing cyber risks, alongside other operational Information and Data security matters.
  21. A council Cyber Security Strategy has been developed, currently under review by key stakeholder groups across the council and with STS for final comments. STS & partner organisations Joint Management Board (JMB) have, as of October, formed a cyber working committee that meets monthly. This is in addition to the daily operational functions and associated forums.
  22. All compiled outputs and findings form part of the council's ongoing plan to improve our security posture which is owned by TDS, and are delivered through a number of workstreams:
    - Contract and relationship management of our supply chain (including STS)
    - Ongoing operational monitoring, management and remediation across all aspects of our IT Service Management and Enterprise Architecture
    - Implementation of the IT Project and Programme Portfolio
    - Implementation of the Council workplan
    - Implementation and ongoing monitoring and management of staff awareness and requisite training
  23. Whilst our process and people aspects are maturing and our technology investment and future project workplan has laid strong foundations and only continues to strengthen our position, there is still a areas to be developed.
  24. A brief overview of these activities, are listed below:
 

Asset Management

    - LBS now have a dedicated resource in place working with STS tackling process improvements and recovery of end-user devices.
    - This has already led to £30k licensing saving through reclamation
    - Further education of staff around asset returns whereby managers hold on to devices for new starters to begin imminently

- Commencement of reporting through DMT's of non-returned assets within their directorates will commence later in the year

## **KEY ISSUES FOR CONSIDERATION**

### **Recommendation: (1) Excessive Number of Domain Admin Accounts**

#### **Status: Completed – On-going Monitoring**

25. Update: Admin accounts have been reviewed and updated in line with BDO recommendations.
26. The Information Governance and Security Group (IGSG) has created a document titled Periodic Governance Checks. This contains a list of all periodic governance actions required along with details. Regular audit of domain admin accounts added to this document. The review period, responsibility, and date of last review are recorded.
27. Monthly audit of all domain admin accounts now presented to the Operational Management Group meeting (OMG), attended by TDS and STS.
28. Incident Response (IR) team contacted with directions to update IR plan and run an IR scenario for a breach of a domain admin account. Date to be confirmed.
29. We have with STS reduced the number of days for account deactivation.

### **BDO Recommendation: (2) Non-Compliance with Anti-virus**

#### **Status: Completed – On-going Monitoring**

30. Update: Regular audits to be conducted of all laptops not accessed for >90 days to deactivate such devices (work scheduled in Periodic Governance Checks document).
31. The reconciliation of devices is now scheduled and recorded in the Periodic Governance Checks document. Process overseen by Information Governance and Security Group.
32. Continuous check done on Anti-Virus status on laptops and servers done by STS. STS AV console also provides details of laptops that are not up to date with AV.
33. Procurement in progress to replace laptop estate and manage through newly implemented Microsoft InTune service. This will provide greater control over devices in terms of Anti-Virus, patching and configuration profiles for users.
34. Migration is due to start in December 2024.

### **BDO Recommendation: (3) Cyber-security e-learning compliance**

#### **Status: Implemented - On-going process**

35. Update: Mimecast training has been rolled out since September 2024. Three videos selected as required training each month to ensure the training is more

accessible to staff. Cyber training was mandatory, but completion was difficult to track. Initial uptake of training has increased by 12 per cent to 62. The goal is to ensure all staff who use technology will complete the training.

36. Mimecast is now linked to Active Directory, providing the ability to track completion by staff member and Department, working with the council's Digital Learning team on tracking training performance.
37. Ongoing communication with business leaders is needed to drive awareness of training. Current focus: passwords (in coordination with new password policy and password refresh project), phishing and data protection.

**BDO Recommendation: (4) Regular phishing exercise**

**Status: Implemented - On-going process**

38. Update: The phishing campaign is in the planning stage, utilising Mimecast. The initial phishing test emails were distributed to members of the technical team.
39. We are engaging with HR and Unions ahead of a widespread phishing campaign due to start in November. A landing page has been created for users who click on phishing emails with information on how to spot phishing emails.
40. Frequently Asked Questions (FAQs) with answers provided to the Service Desk for users who contact the service desk following clicking on a phishing email.
41. Mimecast allows for tracking of who has completed the training. Working with the council's Digital Learning team to track training performance across the council.

**BDO Recommendation: (5) Cyber Incident Response (IR) plan**

**Status: Completed - On-going Monitoring**

42. Update: The Council held a Cyber Exercise on Dec 2023, in conjunction with the LBS Emergency Planning (EP) team, and a second event was held in July. Responsibility for the scheduling of these events lies with the EP team.
43. In addition, a Resiliency workshop was held in July with Brent, Lewisham and the shared service to identify Tier 1 applications / services and review resiliency capabilities. Follow up workshop to be scheduled in November.
44. The Council has numerous communication channels and key stakeholder groups to initiate a response in any event of a Cyber Incident. There is also a Data Protection document in development as part of the IR planning.
45. With the shared service we created a Cyber Role RACI model (Responsible, Accountable, Consulted, and Informed) which has now been completed. Emergency Planning has its own set of roles and responsibilities for business planning.

**BDO Recommendation: (6) Network Access Control (NAC)****Status: In progress - Solution design in progress**

46. Update: Completed a review and identification of open network ports as part of recent penetration testing exercise.
47. Should any unknown device attach itself to the LAN, it is put into remediation, and then asked for authentication via a certificate held on the device. A certificate can only be granted having followed the implemented process.
48. The Wi-Fi access is via Govroam and is authenticated and certificated access – meaning only verified users and their devices can connect. The public Wi-Fi access is outbound via the Public Internet only and unconnected to the council.
49. Proposals received for Network Access Control (NAC) solutions are currently being reviewed for selection. Once selected and implemented this will provide greater levels of security and resilience.

**BDO Recommendation: (7) Cyber Security policy****Status: Policies written / in development**

50. Update: Policies which have been written and published:
  - Acceptable Use Policy
  - Password Policy
  - Software Application and SaaS Policy
  - Privileged Access Management Policy
  - Hardware Asset Management Policy
51. The shared service and our partner councils (Brent, Lewisham) are working on additional policies.
52. In addition, a Cyber Security Risk Register has been developed for Southwark. This is reviewed as part of the Information Governance and Security Group's responsibilities.

**BDO Recommendation: (8) Admin Account Policy****Status: In implementation - On-going Monitoring**

53. Update: Privileged Access Management policy and Password policy documents written, approved, and published on the intranet.
54. The privileged access management policy was reviewed by the Technical Design Authority (TDA). A review of admin passwords and holders with the shared service. (see section above – **Admin Accounts**).
55. A review of Microsoft Configuration changes recommended by BDO is in progress.

**Policy framework implications**

56. N.A.

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

### **Community impact statement**

57. N/A.

### **Equalities (including socio-economic) impact statement**

58. N/A.

### **Health impact statement**

59. N/A.

## **Climate change implications**

60. As part of our commitment to environmental sustainability, our digital strategy is designed to align with the principles of responsible and eco-conscious technology management.
61. Our digital initiatives prioritise energy efficiency, emphasising the adoption of green IT practices such as Cloud utilisation, and reduction of printing.
62. We recognise the role of remote work and digital collaboration in reducing the need for physical travel, thereby contributing to lower carbon emissions.
63. Our technology and digital strategy also emphasises responsible product lifecycle management, considering the environmental impact of our technology choices from procurement to end-of-life. We are committed to minimising electronic waste through recycling programmes within the local area.

## **Resource implications**

64. None. Appropriate skills and capacity is managed accordingly within the operational budget.

## **Note: Legal/Financial implications (and when to seek supplementary advice)**

65. None. However the actions taken to meet the findings of the BDO audit help strengthen our approach to continue to comply with legislative requirements around GDPR and Data Protection.

## **Consultation**

66. N/A.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Assistant Chief Executive, Governance and Assurance**



67. N/A.

**Strategic Director, Finance**

68. N/A.

**BACKGROUND DOCUMENTS**

Background Papers	Held At	Contact
F-IT07 - Cyber Security review-FINAL Internal Audit Report	Internal Audit	Aaron Winter <a href="mailto:Aaron.winter@bdo.co.uk">Aaron.winter@bdo.co.uk</a>
2024- Nov Cyber Update AGSC - BDO Audit - final	Internal Audit	Aaron Winter <a href="mailto:Aaron.winter@bdo.co.uk">Aaron.winter@bdo.co.uk</a>

**APPENDICES**

No.	Title
Appendix 1	N/A

**AUDIT TRAIL**

<b>Lead Officer</b>	Dionne Lowndes	
<b>Report Author</b>	Dionne Lowndes	
<b>Version</b>	Final	
<b>Dated</b>	1 November 2024	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Assistant Chief Executive, Governance and Assurance	No	No
Strategic Director, Finance	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	4 November 2024	

# Agenda Item 8

<b>Meeting Name:</b>	Audit, governance and standards committee
<b>Date:</b>	13 November 2024
<b>Report title:</b>	Members Enquiries update
<b>Ward(s) or groups affected:</b>	All
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	N/A
<b>From:</b>	Head of specialist services

## 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 updates to the members enquiries service.

## 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 have a direct impact on local people and communities.

### 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	Members Enquiries Update

### AUDIT TRAIL

<b>Lead Officer</b>	Michelle Peake, Head of Specialist Services	
<b>Report Author</b>	Michelle Peake, Head of Specialist Services	
<b>Version</b>	Final	
<b>Dated</b>	4 November 2024	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments sought</b>	<b>Comments included</b>
Assistant Chief Executive, Governance and Assurance	No	N/A
Strategic Director of Finance	No	N/A
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>	4 November 2024	

# Members Enquiries Update

## Summary

The members enquiries improvement programme has been in place since March 2024 following the corporate peer review which highlighted members concerns over the timeliness and quality of members enquiries responses. Key areas highlighted for improvement included refining the processes for recording and reporting performance as well as focusing on responsiveness and efficiency.

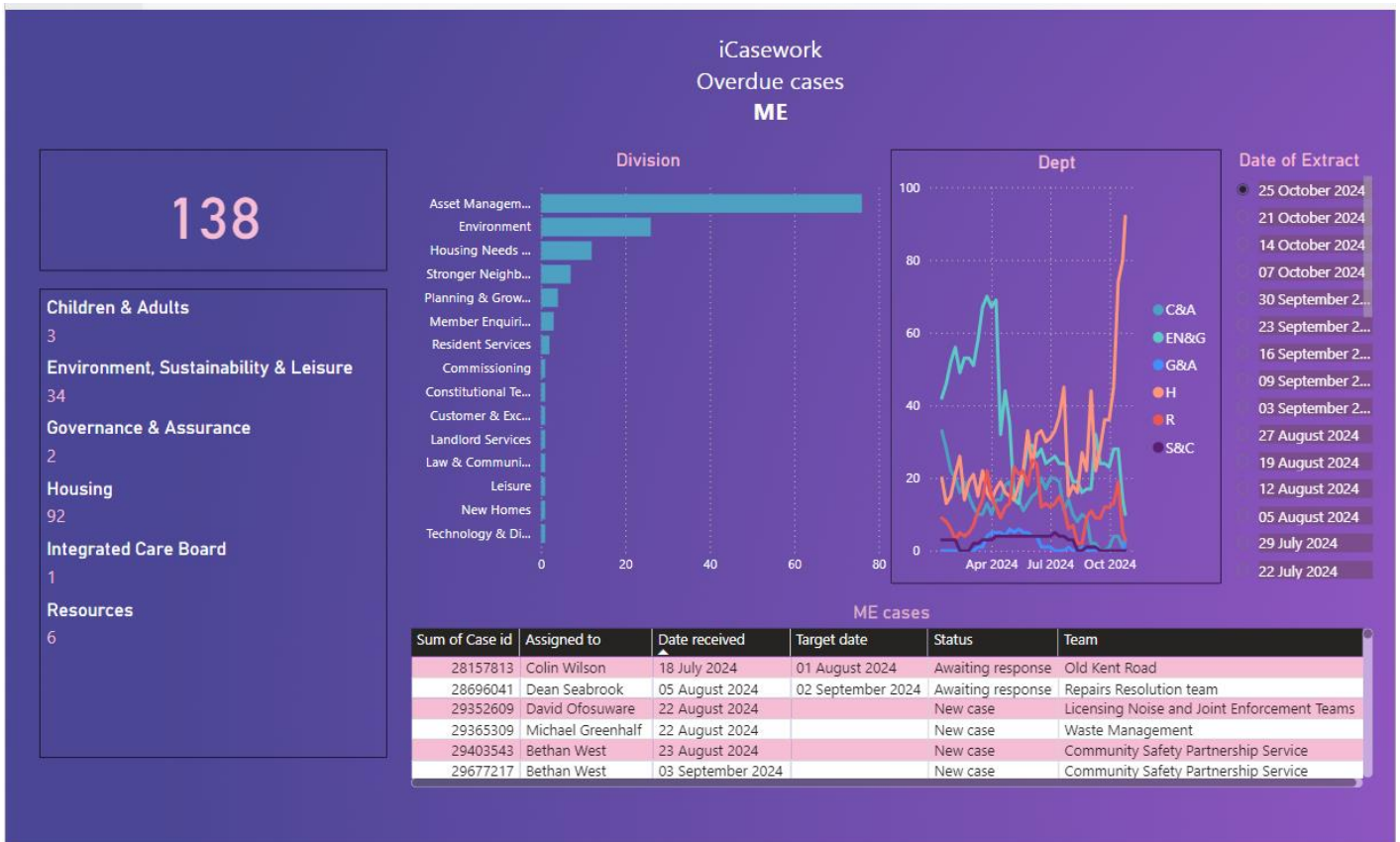
A clear governance framework guided our approach, ensuring accountability in helping us identify areas for improvement. This structure allowed us to gather feedback and make changes that meet our service quality standards.

The members working group provided valuable insights that shaped our improvements. Their feedback helped us prioritise areas such as defining complex cases more clearly, refining the escalation process, and enhancing communication for better transparency.

The information that follows highlights some of the improvement activity over recent months, but it is recognised that this remains a work in progress and whilst the projects activity comes to an end ongoing focus on responsiveness and improvement of quality continues.

# Corporate Management Team Performance Reporting

Creation of reporting (Power BI) which is available to staff and Directors to allow oversight of members enquires particularly highlighting overdue enquiries, ensuring accountability across all services within the council. Since its inception we have seen an improvement and a reduction in overdue cases across service areas.

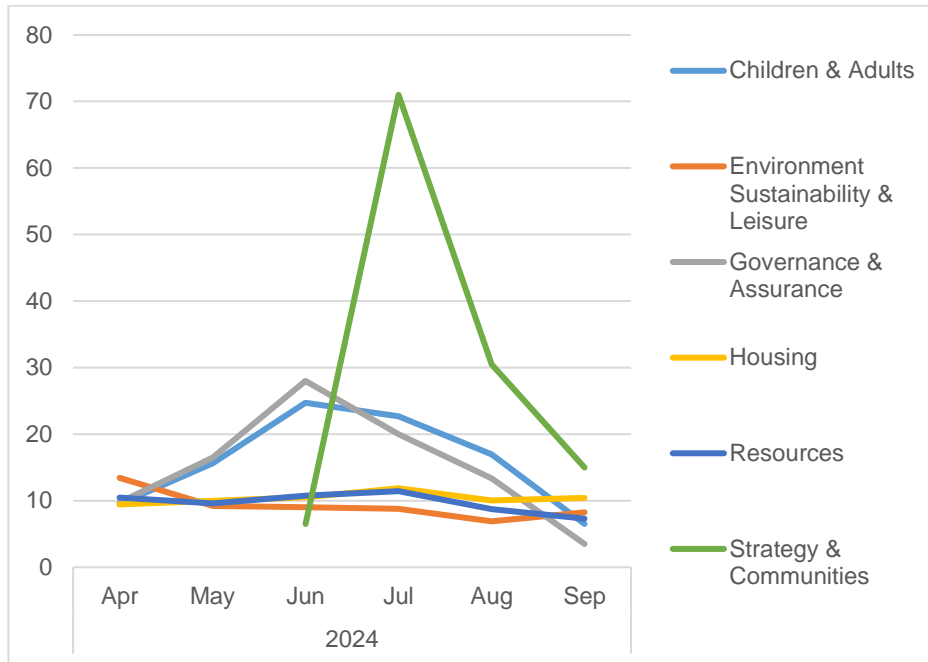


## Performance Improvement

Over recent months we have seen the average time to respond to members enquiries reduce to be within the 10-day target. This becomes challenging when there are peak periods, but significant progress has been made in reducing the number of overdue members' enquiries since the establishment of the Members Improvement Team. The team have worked closely with a number of services to ensure timely responses to enquiries. Where issues arise, the team offers support to resolve problems and prevent future delays.



Although significant work has been carried out to reduce the number of cases overdue, the graph above does indicate that the level of overdue cases has risen in September. Work continues with the services to close these cases and offer assistance where needed. Analysing these patterns allows us to identify recurring trends, providing a data-driven approach to offer targeted assistance to services during high-volume periods. This continuous collaboration enables us to proactively address challenges, adapt resources to fluctuating demands, and sustain improvements over time. Our commitment to trend analysis and support will ensure that we continue to build on this progress, with the ultimate goal of achieving timely, effective, and consistent responses for all our members.



We have seen a slight increase in overdue enquiries, however, the graph indicates in September that the average time to complete a member enquiry on time is 9 days.

## Member Review Team

A dedicated Member Review Team has been established to Serve as a conduit between Members and Services to ensure that where complex and multi service cases have not been adequately dealt with, these are actioned and resolved satisfactorily by the team within the agreed timescale. They have dealt with 56 cases to date. The team also monitor overdue cases and work with the appropriate services to ensure they are dealt with and have actively worked to close an additional 491 cases.

## Members Enquiries Handling Procedure Guide

The Members Enquiries Handling Procedure Guide has been developed as a reference guide and training tool for members. The document provides Members with an overview of the key parts of the Member Enquiries process so Members can understand the process and how their enquiries will be handled.

## Second Acknowledgement Letters

As of 1st August 2024 second acknowledgement letters now include the name and department of the officer handling the enquiry. The performance of both first and second acknowledgements is monitored monthly to ensure timely responses.

## Revised Members Enquiries Logging Templates

We are exploring the possibility of an optional logging template as an alternative to the current members inbox and portal. We understand that members time is limited and we want to ensure the process is as straightforward as possible so using the template will be completely optional, not a requirement.

## Original Case Details in Responses

A system update now ensures that the original case details submitted by members are automatically included in all response templates. This standardisation improves the clarity and consistency of responses.

## Quality Assurance

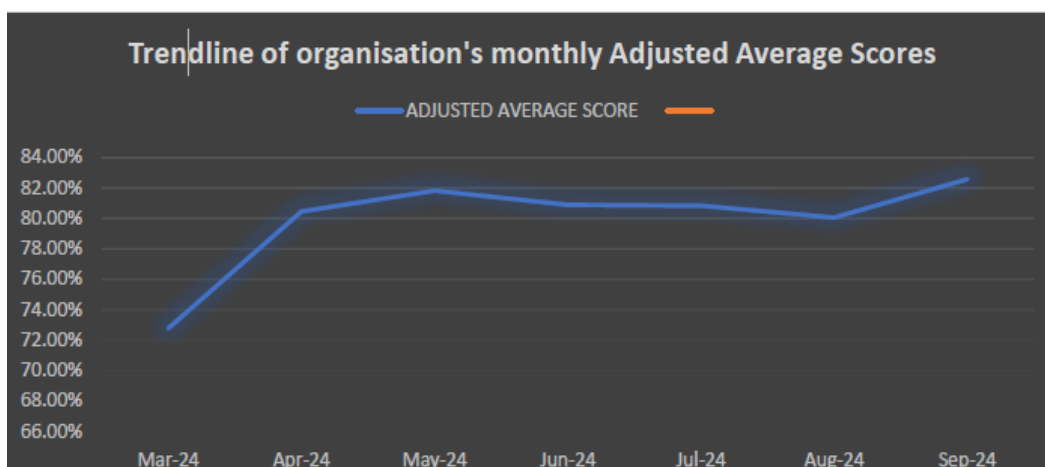
We have established a quality assurance team that monitors the entire process of handling a member's enquiry. This team provides monthly assessment scores to identify areas for improvement. If any services fail to meet corporate standards or comply with the procedures for a member's enquiry, the team conducts meetings with the relevant service manager to offer training and support.

The following data shows significant improvements since the initiative began in March.

**Members Enquiries - organisation monthly average scores**

	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
ADJUSTED AVERAGE SCORE	72.77%	80.45%	81.83%	80.89%	80.83%	80.05%	82.57%
AVERAGE SCORE	83.62%	89.42%	81.80%	80.21%	80.83%	80.05%	82.57%
Enquiry response delayed by (in working days)	-4	-2	9.51	3.42	0.32	3.48	0.52





## Feedback Mechanism

The feedback system has been implemented to provide direct evaluations of formal email responses. Users can rate the responses on a scale of 1 to 5 by clicking on the appropriate emoji icon at the bottom of the email. These evaluations are tracked by case, assignee, and service. Although current data is limited, increasing feedback participation will help improve service quality.

Additionally, a root cause analysis of escalated cases is being conducted. Over time, as more cases are reviewed, patterns in the causes of escalations will emerge, allowing for better understanding and resolution of these issues.

<b>Meeting Name:</b>	Audit, Governance and Standards Committee
<b>Date:</b>	13 November 2024
<b>Report title:</b>	Treasury Management Strategy and Capital Strategy 2025-26
<b>Ward(s) or groups affected:</b>	N/A
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	N/A
<b>From:</b>	Strategic Director of Resources

## RECOMMENDATIONS

1. That the Audit, Governance and Standards committee note the draft Treasury Management Strategy and Capital Strategy for 2025-26, and its appendices:
  - Appendix A - Capital Strategy 2025-26 to 2035-36
  - Appendix B - Treasury Management Strategy 2025-26
  - Appendix C - Annual Investment Management Strategy 2025-26
  - Appendix D - Annual Minimum Revenue Provision Statement 2025-26
  - Appendix E - Prudential Indicators 2025-26 to 2027-28

## BACKGROUND INFORMATION

2. Each year, council assembly agrees an annual strategy covering the management of council debt, capital, and treasury investments. The strategy is to be agreed following consultation with the audit, governance, and standards committee.
3. Treasury management is the management of the authority’s cash flows, borrowing and investments. The council is exposed to financial risks from treasury management activities including possible losses associated with council investment and the potential for increased borrowing costs arising from market movements. The identification, monitoring and control of financial risks are therefore a crucial part of the financial management and governance arrangements of the council.
4. Since 2019-20, the council has been required to produce a capital strategy report (Appendix A) providing a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview

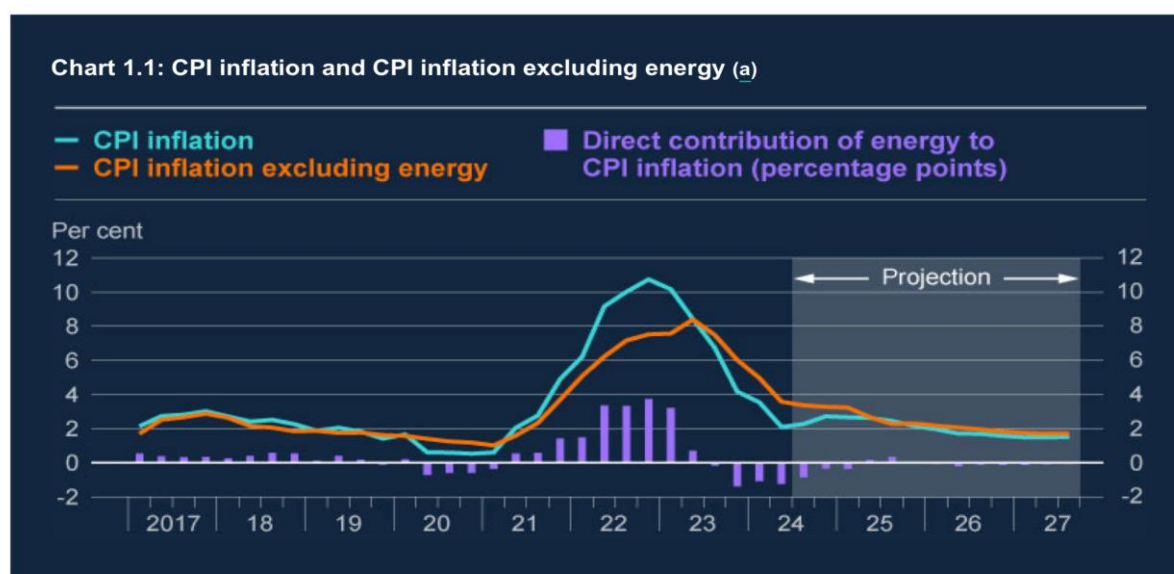
of how any associated risks are managed and the implications for future financial sustainability.

5. There remains significant uncertainty in the economy and especially from the impact of high inflation and interest rates. These factors are likely to remain major influences on the authority's treasury management strategy for 2025-26 and beyond.
6. Under financial delegation, the Strategic Director of Resources is responsible for all executive and operational decisions on treasury management. This treasury management strategy, together with supporting prudential indicators and policies will ensure that these responsibilities can be carried out effectively. Adherence to this strategy is reported to council assembly mid-way through each year and at outturn.

## KEY ISSUES FOR CONSIDERATION

### Economic Background

7. The Autumn Budget 30 October 2024 was described by the independent Office for Budget Responsibility as "one of the largest fiscal loosening's of any fiscal event in decades". The economic outlook for the UK from April 2025 to March 2026 will also depend upon geopolitical factors including the US election and developments in the middle east and Ukraine. Inflation remains a central concern and it is to be seen how markets settle to the perceived inflationary impact of the budget. Overall, the UK economy is expected to experience modest recovery.
8. Inflation Easing: Inflation has continued its downward trajectory through 2024-25 and is expected to normalise across 2025/26 and fall within the Bank of England's 2% target range. This was achieved in September 2024 with a rate of 1.7%. The chart below is from the Monetary Policy Committee (MPC) August report. The MPC next meets on November 7 2024.



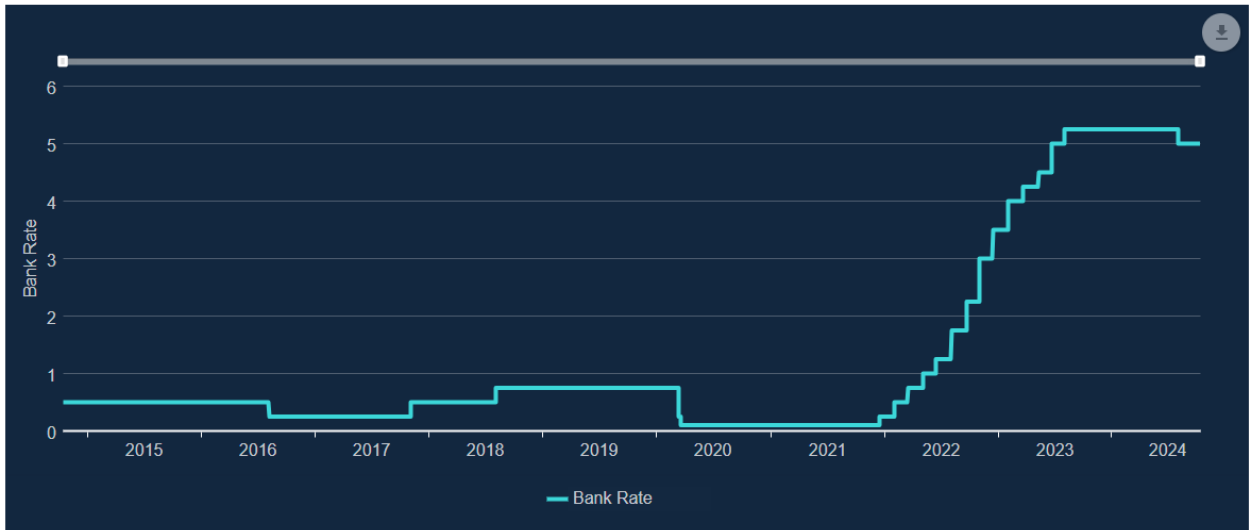
Sources: Bloomberg Finance L.P., ONS and Bank calculations.

9. Interest Rates: The Bank of England's monetary policy will be key to containing

inflation. If inflation is under control by 2025, interest rates could remain stable or be gradually reduced. Bank Rate was reduced in August 2024 from 5.25% to 5%. Some commentators have suggested inflationary pressures within the budget may lead to the MPC slowing the pace of reduction. The Gilt market has seen rates increases and the Debt Management Office has said it will sell £297 billion of bonds this year (the second largest sell off on record). Sentiment at the end of October 2024 suggests that rates may remain higher for longer.

### Bank of England base rate 2013 – 2024

Official Bank Rate



10. The council's treasury management advisor Arlingclose predict further reductions to 4.25% by April 2025. Their expectation is that Bank rate will be 3% in March 2026. They will provide a refreshed forecast after the 7 November MPC meeting.
11. The Public Works Loan Board (PWLB) remains the most efficient and economic borrowing option.

### **Treasury Management Strategy**

12. Treasury management is the management of the authority's cash flows, borrowing and investments. The council is exposed to financial risks from treasury management activity including possible losses associated with council investment and potential for increased borrowing costs arising from market movements. The identification, monitoring and control of financial risks are a crucial part of the financial management and governance arrangements of the council.
13. Treasury risk management is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the council to approve a treasury management strategy before the start of each financial year. This report fulfils the council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

14. Investments held for service purposes or for rental income are considered in the capital strategy.
15. Under financial delegation, the Strategic Director of Resources is responsible for all executive and operational decisions on treasury management. This treasury management strategy, together
16. with supporting prudential indicators and policies will ensure that these responsibilities can be carried out effectively.
17. Full details of the council's proposed treasury management strategy for 2025-26 can be found at Appendix B.

### **Investment Strategy**

18. The council's investment objectives for treasury management are to preserve principal, provide liquidity and secure a return on investments consistent with the prior objectives of security and liquidity. This is in line with investment guidance produced by the Ministry of Housing, Communities and Local Government (MHCLG).
19. The annual investment management strategy 2025-26 is attached at Appendix C. The strategy allows investment across a variety of instruments.
20. In considering the investment strategy for 2025-26 the council has taken independent advice from the external treasury advisor.
21. It is anticipated that the majority of investments will be in Low Volatility Net Asset Value Money Market Funds (MMFs). This is implemented through an optimal number of funds with a limit of £30m each, to reduce exposure to risk and maximise investment return.

### **Capital Strategy**

22. The capital strategy is an overarching document which sets the policy framework for the development, management, and monitoring of capital investment. The strategy focuses on core principles that underpin the council's capital programme; its short, medium, and long-term objectives; the key issues and risks that will impact the delivery of the programme and the governance framework required to ensure the capital programme is delivered providing value for money for residents of Southwark.
23. The capital strategy aligns with the priorities set out in the Council Delivery Plan and other key council strategies. The strategy is integrated with the medium-term financial strategy and treasury management strategy. Governance arrangements around new capital projects will be enhanced. All new capital bids will be considered by the Corporate Management Team (CMT) ahead of cabinet approval to ensure affordability, and by priority with reference to statutory requirements, the council's development plan and its long-term ambitions.
24. The capital strategy for 2025-26 can be found at Appendix A.

### **Minimum Revenue Provision**

25. Each year, the General Fund sets aside sums known as the minimum revenue provision (MRP) to reduce its borrowing liabilities. The HRA may also set aside sums to reduce its own borrowing liabilities. The policy for MRP is set out in Appendix D and complies with the guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) in 2018. The policy wording has been streamlined, removing narrative that is no longer relevant, to make it more precise. Ultimately, the application is the same as in previous years i.e. MRP is charged for all General Fund borrowing over the estimated useful life of assets on an annuity basis.
26. Government guidance on the MRP requires that the general fund set aside prudent sums to reduce debt and long-term liabilities (such as PFI schemes) arising from capital spend and that the council produces a statement on its MRP policy. MRP costs fall on revenue budgets and runs on for many years into the future, usually over the period for which the capital item provides an economic benefit or the duration of the revenue grant supporting the expenditure.
27. Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and the MHCLG's Statutory Guidance on Minimum Revenue (4th edition) February 2018, a local authority is required to charge a minimum revenue provision annually to its revenue account in respect of capital financing obligations that arise in that year or arose in any prior year. Capital financing obligations represent debt or long-term liabilities taken to fund capital expenditure.
28. A council may not change the total MRP it is liable for but may prudently modify the timing of payments to improve affordability and take account of individual spend and financing characteristics.

### **Prudential Indicators**

29. Local authority borrowing, investment and capital finance activity is supported by the Prudential Code for Capital Finance (2021 edition) and the Treasury Management Code of Practice published by the Chartered Institute of Public Finance and Accountancy, backed by the Local Government Act 2003. The code introduced a series of indicators and limits, which the council assembly should agree annually.
30. The indicators for approval relate to 2025-26 to 2027-28 and are set out at Appendix E. The indicators are of a technical nature and include a self-imposed authorised limit on debt, which the council assembly must determine each year. Approval will ensure that the council meets its obligations under the 2003 Act and that the Strategic Director of Resources can carry out their financial responsibilities in this area. Our plans are within the limits set by the indicators.

### **Community, Equalities (including socio-economic) and Health Impacts**

31. This report monitors the council's compliance with the treasury management strategy and Council's prudential indicators as agreed in February 2023. This report has been judged to have no direct impact on local people and communities who are protected under the Equality Act.

## **Climate change implications**

32. This report directly addresses funding of schemes that contribute towards emissions reduction and a borough that is resilient to the future changes in climate. The council can raise capital via the issuance of Green Bonds or other similar peer-to-peer (P2P) loan agreements, known as Community Municipal Investments (CMI) through its partnership with Abundance. The Green bonds issuance is a new scheme which gives residents the opportunity to invest in sustainable projects and green initiatives within the local community to support the council's target of becoming a net zero Council by 2030

## **Resource implications**

33. Resource will be required from the Finance and Climate Change teams within the council, to lead on the development of the CMI model, promotion of the investment opportunity and delivery of funded projects. This work will be undertaken by existing resource within the council.

## **Consultation**

34. There has been no consultation on this report.

## **SUPPLEMENTAL ADVICE FROM OTHER OFFICERS**

### **Assistant Chief Executive (Governance and Assurance)**

35. The council's constitution determines that agreeing the treasury management strategy is a function of the council assembly and that the review and scrutiny of strategies and policies is the responsibility of the audit governance and standards committee. The constitution also requires council assembly to approve the capital strategy and programme at least once every four years. The draft treasury management strategy and capital strategy attached will proceed to council assembly for agreement.
36. Financial standing orders require the Strategic Director of Resources to set out the treasury management strategy for consideration and decision by council assembly, and report on activity on a regular basis to cabinet and at mid and year-end to council assembly. Furthermore, all executive and operational decisions are delegated to the Strategic Director of Resources.
37. The Local Government Act 2003 and supporting regulations require local authorities to determine annual borrowing limits and have regard to the Prudential Code for Capital Finance, and the Treasury Management in the Public Services Code of Practice and Guidance, published by the Chartered Institute of Public Finance and Accountancy, when considering borrowing and investment strategies, determining or changing borrowing limits or prudential indicators.
38. Section 15(1) of the 2003 Act requires a local authority "to have regard:
- (a) to such guidance as the Secretary of State may issue.
  - (b) to such other guidance as the Secretary of State may by regulations specify for the purposes of this provision.

39. This guidance includes the MHCLG Guidance on Local Authority Investments updated February 2018 and on the flexible use of capital receipts which was updated in August 2022. Section 21(1A) of the 2003 Act also requires the local authority to have regard to any guidance issued under these provisions which includes the statutory guidance on the Minimum Revenue Provision (MRP).
40. The committee must have due regard to the need to eliminate discrimination, advance equality of opportunity, and to foster good relations between people with protected characteristics and others in accordance with section 149 Equality Act 2010 when carrying out its functions.

## BACKGROUND DOCUMENTS

Background Papers	Held at	Contact
None		

## APPENDICES

No.	Title
Appendix A	Capital Strategy 2025-26 to 2035-36
Appendix B	Treasury Management Strategy 2025-26
Appendix C	Annual Investment Management Strategy 2025-26
Appendix D	Annual Minimum Revenue Provision Statement 2025-26
Appendix E	Prudential Indicators 2025-2028

## AUDIT TRAIL

<b>Lead Officer</b>	Clive Palfreyman - Strategic Director of Resources	
<b>Report Author</b>	Caroline Watson – Chief Investments Officer	
<b>Version</b>	Final	
<b>Version Date</b>	4 November 2024	
<b>Key Decision</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Assistant Chief Executive – Governance & Assurance	Yes	Yes
Strategic Director of Resources	N/A	N/A
Cabinet Member	No	
<b>Date report sent to constitutional team</b>		4 November 2024



## CAPITAL STRATEGY 2025-26 – 2035-36

### Introduction and background

1. This capital strategy is an overarching document which sets the policy framework for the development, management and monitoring of capital investment. The strategy focuses on core principles that underpin the council's capital programme; its short, medium and long-term objectives; the key issues and risks that will impact the delivery of the programme and the governance framework required to ensure the capital programme is delivered providing value for money for residents of Southwark.
2. The capital strategy aligns with the priorities set out in the Council Delivery Plan and other key council strategies. The strategy is integrated with the medium-term financial strategy (MTFS) and treasury management strategy.

### Core principles that underpin the capital programme

3. The key principles for the capital programme are summarised below:
  - Capital investment decisions reflect the aspirations and priorities included within the Council Delivery Plan and supporting strategies;
  - Schemes to be added to the capital programme will require a capital business case to be signed off by the lead cabinet member and will be subject to a gateway process, prioritised according to availability of resources and scheme specific funding, council priorities and commitments and factors such as legal obligations, health and safety considerations and the longer term impact on the council's financial position;
  - The cost of financing capital schemes, net of revenue benefits, are profiled over the lifetime of each scheme and incorporated into the annual policy and resources strategy and budget;
  - Commissioning and procuring for capital schemes will comply with the requirements set out in the council's constitution, financial regulations and contract standing orders.
4. Risk review is an important aspect of the consideration of any proposed capital or investment proposal. The risks will be considered in line with the council's risk management strategy and commensurate with the council's low risk appetite. Subject to careful due diligence, the council may consider a moderately higher level of risk for strategic initiatives, where there is a direct gain to the council's revenues or the ability to deliver its statutory duties more effectively and efficiently.

### Governance framework

5. The council's constitution requires council assembly to agree the capital strategy and programme at least once every four years (last one was in February 2024) and in the event of a significant change in circumstances. The reports from the chief finance officer will consider the compliance of proposed

schemes in the programme with the medium term financial strategy, the capital resources available to the council, the revenue implications of the proposed capital expenditure, and any other relevant information.

6. Democratic decision-making and scrutiny processes provide overall political direction and ensure accountability for investment in the capital programme. These processes include:
  - Council assembly approves the Council Delivery Plan which sets out the strategic priorities for the council;
  - Council assembly is ultimately responsible for approving the capital strategy, treasury management strategy and capital programme;
  - Cabinet receives regular capital monitoring reports, approves variations to the programme and considers new bids for inclusion in the capital programme;
  - Portfolio holders are assigned projects in line with their responsibilities;
  - Scrutiny committees can call in cabinet reports, receive and scrutinise reports;
  - All projects progressing to the capital programme follow the constitution, and financial regulations;
  - The capital programme and capital expenditure is subject to internal and external audit.
7. Cabinet agreed in October 2023 to develop a refreshed set of governance proposals to ensure that all future capital bids remain affordable and in alignment with key council objectives.
8. The approach taken each year will be to assess the overall funding envelope, the affordability criteria, which will be determined by the estimated capital funding available and within a predetermined and prudent limit on borrowing.
9. New capital bids from council departments will require a business case with 'sign off' from the respective member of the Corporate Management Team (CMT). A newly established capital board will prioritise the bids and ensure that they can be funded within the pre-defined funding envelope. It is expected that the panel will meet at least twice a year.
10. The final list of bids will be considered by the Corporate Management Team (CMT) ahead of cabinet approval.
11. Approval to spend on individual capital schemes will only be given once procedural guidelines have been complied with and assessed to the satisfaction of the Strategic Director of Resources.
12. Senior officer teams exist within directorates to monitor the delivery of the directorate capital programme. Directorate management teams must consider and recommend all additions, variations to their directorate capital programme before being agreed by the Strategic Director of Resources and then by cabinet.

## Capital investment priorities and plans

13. The capital programme for the council is a long-term ambition, with the lifetime of new and existing assets stretching far into the future. The obligation for maintaining and improving council dwellings and operational buildings is very long-term and as such will be considered accordingly in financial and asset management planning.
14. Capital investment plans are driven by the council delivery plan the council's key strategic document that sets out the council's vision, ambitions, values and priorities. Cabinet approved the 2022-2026 '*Fairer Greener Safer Southwark – Council Delivery Plan*' in September 2022, and that it would be referred to as the council delivery plan.
15. The plan is centred on seven separate themes:
  - transforming the borough,
  - a thriving and inclusive economy,
  - a healthy environment,
  - quality, affordable homes,
  - keeping residents safe,
  - investing in communities,
  - supporting families.
16. The application and planning for capital expenditure obligations and objectives should be considered over short, medium and long-term time horizons. Long term forecasts are not easily predicted and the accuracy of all financial estimates will be limited. However, long term forecasting is critical to informing strategic plans taking account of the sustainability and affordability of existing and planned investment, which will need to be repaid over future periods.
17. For all projects and investments, the funding and financial implications need to be planned well in advance. The council maintains an approved capital programme that covers a ten-year period. Prudential indicators for capital expenditure and financing are set out in Appendix E.

## Treasury management

18. Treasury Management is concerned with keeping sufficient but not excessive cash available to meet the council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of resources will be met by prudential borrowing. The council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

19. Each year the council assembly agrees an annual treasury management strategy covering the management of council's debt and cash investments (Appendix B).

### **Asset management planning**

20. Cabinet approved the current asset management plan in January 2021. The plan sets out the council's ambitions for existing stock and future investment decision-making. It was developed from the priorities set out in the council delivery plan and how the decisions that the council take around property can help to achieve these, prioritising climate change and recognising the hugely important role in providing and building stable communities.
21. The council's future asset management decision-making will follow a clear and robust process, ensuring that plans are affordable and decisions are aligned to corporate ambitions and are in the best interests of the Borough as a whole.

### **Commercial activity and investment property**

22. Returns from property ownership can both be income driven (through the receipt of rent) and by way of appreciation of the underlying asset value (capital growth). The combination of these is considered in assessing the attractiveness of a property for acquisition. However, yield is rarely the sole or primary objective of property acquisitions.
23. Historically, property has provided strong investment returns in terms of capital growth and generation of stable income. However, property investment is not without risk as property values can fall as well as rise and changing economic conditions could cause tenants to leave with properties remaining vacant. The investment appraisal, external professional advice, local strategic knowledge (ensuring all investments are in Southwark) and risk assessment ensure that commercial investments remain proportionate to the size of the council and that the revenue impact can be managed, should expected yields not arise.
24. The strategy makes it clear that the council will continue to invest prudently to take advantage of opportunities as they present themselves, supported by our robust governance process.
25. The council is mindful that Public Works Loan Board (PWLB) loans are not available to local authorities planning to buy investment assets primarily for yield.

### **Loans and other liabilities**

26. The council has discretion to make loans for a number of reasons, primarily for economic development. These loans are treated as capital expenditure.

27. By advancing loans to other bodies, the council is exposing itself to the risk that the borrower defaults on repayments. The council must therefore ensure that these loans are prudent and that the risk implications have been fully considered, and that the cumulative exposure of the council is proportionate and prudent.
28. The council will ensure that a full due diligence exercise is undertaken and adequate security is in place. The business case will balance the benefits and risks. All loans are agreed by cabinet and will be subject to close, regular monitoring.
29. In addition to debt liabilities set out in the treasury management strategy, the council is committed to making future payments to cover any pension deficit. The pension fund is subject to a triennial valuation and the revenue implications are built into the MTFS.

### **Revenue budget implications**

30. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and the Minimum Revenue Provision (MRP) or voluntary debt repayment in Housing Revenue Account (HRA) are charged to revenue as financing costs. This is then compared to the net revenue stream (Appendix E).
31. Due to the very long term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend up to 50 years into the future. Capital investment decision-making is not only about ensuring that the initial allocation of capital funds meets corporate and service priorities but also ensuring that the asset is fully utilised, sustainable and affordable throughout its whole life.
32. This overarching commitment to long- term affordability is a key principle in any capital investment-appraisal decision. In approving the inclusion of schemes and projects within the capital programme, the Strategic Director of Resources must be satisfied that the proposed capital programme is prudent, affordable and sustainable.

### **Knowledge and skills**

33. The council has professionally qualified staff across a range of disciplines including finance, legal and property that follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills.
34. The council establishes project teams from all the professional disciplines across the council as and when required. External professional advice is taken

where required and will always be sought in consideration of any major commercial property investment decision.

35. Internal and external training is provided for members to ensure they have up-to-date knowledge and expertise to understand and challenge capital and treasury decisions taken by the Strategic Director of Resources.

## TREASURY MANAGEMENT STRATEGY STATEMENT 2025-26

### Introduction

1. Treasury management is the management of the authority's cash flows, borrowings and investments. The council is exposed to financial risks from treasury management activity including possible losses associated with council investment and potential for increased borrowing costs arising from market movements. The identification, monitoring and control of financial risks are a crucial part of the financial management and governance arrangements of the council.
2. Treasury risk management is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the council to approve a treasury management strategy before the start of each financial year. This report fulfils the council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
3. Investments held for service purposes or for commercial profit are considered in the capital strategy.
4. Under financial delegation, the Strategic Director of Resources is responsible for all executive and operational decisions on treasury management. This treasury management strategy, together with supporting prudential indicators and policies will ensure that these responsibilities can be carried out effectively.

### Borrowing Strategy, Debt Management and Net Borrowing Position

5. As at 30 September 2024, the council held £1,077m of external borrowings (£965m at 30 September 2023) and £39m of investments (£148m at 31 September 2023).
6. The council has an ambitious capital programme, to support the wide range of services it provides and to build much-needed new council homes. In the past, revenue balances have been utilised to forestall the need to borrow externally. This approach is commonly known as internal borrowing.
7. Going forward due to the scale of the capital programme, external borrowing will be required to ensure its delivery.
8. Southwark has one of the highest outstanding Public Works Loans Board (PWL) debt of all English councils. This is largely due to the size of Southwark's council housing estate and its position as the fourth largest social landlord in the country.

9. Given the size of its housing stock and the ambition to deliver new homes, the council has a significant Housing Investment Programme, which is partially financed by borrowing. For 2025/26, the forecast borrowing requirement is £105 million, with £88 million allocated to support the delivery of new homes.
10. The need to borrow externally has a revenue impact, and this is accounted for annually in the council's budget setting process, both for the Housing Revenue Account (HRA) and the General Fund (GF).
11. The council can borrow from the PWLB, financial institutions and banks or directly from other local authorities.
12. Alternative sources of borrowing to the PWLB will be considered to ensure the lowest available rates are achieved and value for money is achieved for taxpayers. In the context of its efforts to address climate change, Council Assembly, in November 2023 approved the use of a Community Municipal Investment (CMI) opportunity as a borrowing option. This will support the delivery of projects within the council's climate action plan.
13. The council can raise capital via the issuance of Green Bonds or other similar peer-to-peer (P2P) loan agreements, known as Community Municipal Investments (CMI). It is anticipated that through two schemes £1.5m will have been raised by the end of 2024/25.
14. A CMI is a simple, low cost and proven way for the council to raise funding from residents for projects that contribute to achieving its net-zero carbon target by 2030. Through partnership with Abundance Investment, a crowdfunding web platform is established that allows investment in a safe and secure manner. CMI's therefore create engagement opportunities for councils with their local communities, while diversifying funding sources.
15. The council's chief objective when borrowing is to strike an appropriately low risk balance between securing low interest costs and achieving certainty over the period for which funds are required.
16. Whilst internal borrowing and short-term borrowing provide a low-cost interim solution, they effectively defer inevitable long-term borrowing into subsequent periods. In an uncertain interest rate environment, with some expectation of rate reductions the strategy for 2025-26 is to borrow externally when rates are favourable. The exact timing and amount will be determined by the Strategic Director of Resources with regard to advice from external treasury advisors.

### **Capital Financing Requirement and the Liability Benchmark**

17. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), whilst usable reserves and working capital are the underlying resources available for investment. The council's current strategy is to maintain borrowing and investments below their underlying levels, known as internal borrowing.



18. The council's CFR is increasing over time reflecting the delivery of the capital programme. The table below shows the CFR for the General Fund and the HRA.

<b>Capital Financing Requirement</b>	<b>2023-24 Estimate £m</b>	<b>2024-25 Estimate £m</b>	<b>2025-26 Estimate £m</b>	<b>2026-27 Estimate £m</b>	<b>2027-28 Estimate £m</b>
General Fund CFR	852	935	992	1,021	1,012
HRA CFR	890	1,034	1,139	1,200	1,246
<b>Total CFR</b>	<b>1,742</b>	<b>1,969</b>	<b>2,131</b>	<b>2,221</b>	<b>2,258</b>
Less: Other debt liabilities	71	66	61	59	50
<b>Loans CFR</b>	<b>1,671</b>	<b>1,903</b>	<b>2,070</b>	<b>2,162</b>	<b>2,208</b>

19. In the 2021 revision of the Prudential and Treasury Management Codes, CIPFA introduced the liability benchmark. The liability benchmark is effectively the net borrowing requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.

20. CIPFA recommends that the optimum position for external borrowing should be at the level of the liability benchmark (i.e. all balance sheet resources should be used to maximise internal borrowing). If the outputs show future periods where external loans are less than the liability benchmark, this indicates a borrowing requirement thus identifying where the authority is exposed to interest rate, liquidity, and refinancing risks. Conversely, where external loans exceed the liability benchmark, this will highlight an over-borrowed position which will result in excess cash in the organisation requiring investment, thus exposing the authority to credit and reinvestment risks and a potential cost of carry.

21. The liability benchmark is presented in the table below and shows estimates of the councils underlying need to borrow over the medium term.

<b>Liability Benchmark (£m)</b>	<b>2023-24 Estimate £m</b>	<b>2024-25 Estimate £m</b>	<b>2025-26 Estimate £m</b>	<b>2026-27 Estimate £m</b>	<b>2027-28 Estimate £m</b>
<b>Capital Financing Requirement</b>	<b>1,742</b>	<b>1,969</b>	<b>2,131</b>	<b>2,221</b>	<b>2,258</b>
Less: Other Balance Sheet Items	-720	-830	-768	-713	-663
<b>Net Loans Requirement</b>	<b>1,022</b>	<b>1,139</b>	<b>1,363</b>	<b>1,508</b>	<b>1,595</b>
Plus: Liquidity Allowance	63	52	43	40	40
<b>Liability Benchmark</b>	<b>1,085</b>	<b>1,191</b>	<b>1,406</b>	<b>1,548</b>	<b>1,635</b>
<b>Current Loan Commitments</b>	<b>1,085</b>	<b>978</b>	<b>962</b>	<b>942</b>	<b>930</b>

<b>(Under) / Over benchmark: Borrowing Requirement</b>	-	-	<b>213</b>	-	<b>444</b>	-	<b>606</b>	-	<b>705</b>
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The table below illustrates how the net loans requirement is calculated.

<b>Net Loans Requirement Reflected by:</b>	<b>2023-24 Estimate £m</b>	<b>2024-25 Estimate £m</b>	<b>2025-26 Estimate £m</b>	<b>2026-27 Estimate £m</b>	<b>2027-28 Estimate £m</b>
Loans (including new borrowing)	1,085	1,191	1,406	1,548	1,635
Investments	- 63	- 52	- 43	- 40	- 40
<b>Net Loans Requirement</b>	<b>1,022</b>	<b>1,139</b>	<b>1,363</b>	<b>1,508</b>	<b>1,595</b>

## Investment Position and Activity

22. Council resources that are not immediately required for current expenditure are invested in money market instruments in accordance with the Department of Levelling Up and Housing and Communities (DLUHC) Guidance on Local Authority Investments guidance and the council's approved investment strategy (Appendix C). The guidance gives priority to security and liquidity and the aim is to achieve a yield commensurate with these principles.
23. Investment balances as at 30 September 2024 were £39m. These balances are held across five money market funds, which have high credit quality AAA scoring and the UK government Debt Management Account Deposit Facility.
24. The Bank of England Base Rate was reduced from 5.25% to 5.0% in August 2024. Further rate reductions are forecast by the council's treasury management advisor Arlingclose. They are predicting a rate of 4.25% in April reducing throughout the year to close at 3%.
25. To analyse the treasury management portfolio, the council measures the return against SONIA (Sterling Overnight Indexed Average).
26. The rate of investment return generated by the treasury management portfolio is a consequence of the council's prudent, low risk approach to treasury management investing. This is in line with the requirements of the statutory guidance for local government treasury investment issued by the Ministry of Housing, Communities and Local Government (MHCLG)
27. The priorities for treasury management investment are, in order of priority, security, liquidity and yield. The objective therefore is to ensure that funds are available to meet council liabilities as they fall due.
28. It is important that the treasury management strategy is suitably flexible, such that the council can take advantage of market opportunities and maintain appropriate asset diversification within the portfolio to best support the council's revenue budget, whilst retaining the overriding objectives of security and liquidity.

## **Environmental, Social and Governance (ESG) considerations**

29. Environmental, social and governance (ESG) considerations are becoming increasingly important in investment decision making. The council strongly believes that integrating climate change and other ESG factors into the investment philosophy will protect and improve the risk profile of its investments over the long term.
30. Approaches to ESG investments and related data collecting and reporting are still evolving. The council will work continuously towards adopting latest guidelines and industry best practice in its approach to ESG aspects of its investments.
31. The council will review investment managers to ensure sound ESG practices, such as ESG disclosures, signatory to various ESG initiatives and standards, external assurance on ESG disclosures, or are actively developing/evolving their approach, allowing the accommodation of managers at different stages in their responsible investment journey.
32. The council's approach will evolve as more progress is undertaken on ESG reporting and as new wider ESG-focused products/funds become available.

## THE ANNUAL INVESTMENT MANAGEMENT STRATEGY 2025-29

### Background

1. The guidance on local government investments produced by the Ministry of Housing, Communities and Local Government (MHCLG) as updated in February 2018, requires that local authorities produce an annual investment strategy. The guidance promotes prudent management of investments with security and liquidity as priorities, whilst also considering yield.
2. Investments held as part of the council's pension fund are managed under a separate regulatory framework and are outside the scope of this strategy.
3. Investments held for service purposes or for commercial profit are considered within the capital strategy.

### Investment Objectives

4. The council's treasury investment objectives are to preserve principal, provide liquidity and secure a reasonable return.
5. The council holds cash in the normal course of its business and any cash not immediately required for settling council liabilities should be invested until needed. Investments should be managed prudently and fall within two categories: specified investments and non-specified investments, as set out in government guidance. Specified investments are investments up to one year, as detailed below, with high liquidity and credit quality. Non-specified investments, as set out in paragraph 10 below, are investments that exceed one year and are potentially more responsive to liquidity, credit and market factors.
6. Prudent exposure to non-specified investments can help raise the overall level and diversification of investment returns over the long-term and so should be considered as part of an investment strategy, having regard to prevailing credit and market conditions. Investment exposure shall be diversified and managed with due care and attention.
7. All investments will be denominated in GBP sterling, comply with credit standards and investment limits. Exposure to share capital that is treated as capital expenditure is outside the scope of this strategy.
8. The Strategic Director of Resources is responsible for this strategy and its management. Fund managers may be appointed to assist in advising or executing elements of the strategy.

## Specified Investments

9. Specified investments shall consist of investments with a remaining term of up to one year in the following categories. Actual exposure shall be subject to investment limits, be managed prudently and have regard to prevailing credit and market conditions.

<b>Specified investments - in sterling, meeting credit standards and with remaining life not longer than 1 year</b>	
A	Term deposits, notice accounts, certificates of deposits, commercial paper, Notes, collateral backed lending, bills, bonds (including covered bonds) issued or guaranteed by: the UK government, supranational banks, foreign governments, quasi-sovereigns, UK local authorities, banks or UK building societies.
B	Money Market Funds and short duration low volatility enhanced cash funds rated AAA/Aaa/AAA (Fitch/Moody's/S&P) with stable or variable net asset values.

## Non- Specified Investments

10. Non-specified investments shall consist of investments with a remaining term exceeding one year in the following categories of investments. Actual exposure shall be subject to investment limits, be managed prudently and have regard to prevailing credit and market conditions.

<b>Non-specified Investments - in sterling, meeting credit standards and with remaining life longer than 1 year</b>	
A	Term deposits, notice accounts, certificates of deposits, commercial paper, notes, collateral backed lending, bills, bonds (including covered bonds) issued or guaranteed by: the UK government, supranational banks, foreign governments, quasi-sovereigns, UK local authorities, banks or UK building societies, pooled multi-asset income funds.

## Credit Standards

11. Credit risk, the risk that an entity with which investments are held fails to meet its obligations to investors, shall be contained and credit ratings consulted.
12. The minimum credit ratings are set out in the tables and paragraphs below. While these ratings indicate a low risk of default and are well above the minimum regarded as investment grade, they may not always keep up with developments in turbulent markets. Therefore, in managing exposure, attention should also be paid to developments in the financial and credit markets. Rating definitions are set out below.

### Minimum Credit Rating Criteria

Minimum long term rating from one of the three rating agencies		
Fitch Ratings	Moody's Investor Services	Standard & Poor's
A-	A3	A-

13. Credit requirements shall not apply to investments issued or guaranteed by the UK Government, nationalised entities, UK local authorities, Local authorities are not usually rated, but the Local Government Act 2003 provides sanctions in the event that an authority fails to meet its liabilities to lenders.
14. Ratings shall be reviewed frequently and at least monthly. In the event of significant adverse rating changes, investments may be recalled prior to maturity where it would be prudent to do so.
15. The Strategic Director of Resources shall have discretion to vary minimum rating and limits in response to market developments, cash flow volatility or operational requirements where prudent to protect the council's interests.

**INVESTMENT LIMITS**

16. Investment exposure shall be subject to the following limits.

<b>Investment limits, subject to overall constraints and minimum ratings</b>				
	<b>Counterparty</b>	<b>Time Limit</b>	<b>Counterparty Limit (£)</b>	<b>Sector Limit (£)</b>
A	UK Government	50 years	Unlimited	Unlimited
B	UK Local authorities	5 years	£10m	£50m
C	Foreign sovereigns, supranational banks and quasi-sovereigns, minimum rating AAA/Aaa/AAA	5 years	£20m	Unlimited
D	Foreign sovereigns, supranational banks and quasi-sovereigns, minimum rating AA-/Aa3/AA-	5 years	£10m	Unlimited
E	Foreign sovereigns, supranational banks and quasi-sovereigns minimum rating A1-/A3/A-	5 years	£5m	Unlimited
F	Banks and building societies minimum rating AAA/Aaa/AAA	5 years	£20m	£30m
G	Banks and building societies minimum rating AA-/Aa3/AA-	3 years	£15m	£30m
H	Banks and building societies long term rating A-/A3/A-	1 year	£10m	£30m
I	Other Corporate Entities long term rating AA-/Aa3/AA-	3 years	£15m	£30m
J	Other Corporate Entities long term rating A-/A3/A	1 year	£10m	£30m
K	Money Market Funds above £1,000m in holdings	N/A	£30m	Unlimited
L	Short duration low volatility enhanced cash funds	N/A	£10m	Unlimited
M	Sterling Government Money Market Funds above £200m in holdings	N/A	£50m	Unlimited
N	Multi asset income pooled fund	N/A	£5m	10m
O	Royal Bank of Scotland (NatWest) and Bank of New York Mellon (custodian)	3 months	£75m	£75m
Overall portfolio: maximum above 1 year maturity 65% maximum weighted average maturity 2.5 years (the maturity of floating rate instruments is treated as the next interest re-set date)				

## RATING DEFINITIONS

17. Ratings are research-based opinions of rating companies (Fitch Ratings, Moody's and Standard & Poor's) on the ability of an entity or security to meet financial commitments such as interest, preferred dividends and repayment of principal in accordance with their terms. Ratings do not constitute recommendations to buy, sell or hold any security, nor do they comment on the adequacy of market price, or the suitability of any security for a particular investor.
18. Fitch Long Term Ratings are shown below

<b>AAA</b>	Highest credit quality. AAA ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events
<b>AA</b>	Very high credit quality. AA ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
<b>A</b>	High credit quality. A ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

19. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.
20. The Fitch Short Term Ratings are shown below

<b>F1</b>	Highest short-term credit quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.
<b>F2</b>	Good short-term credit quality. Good intrinsic capacity for timely payment of financial commitments
<b>F3</b>	Fair short-term credit quality.

21. Moody's Long Term Ratings are shown below

<b>Aaa</b>	Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.
<b>Aa</b>	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
<b>A</b>	Obligations rated A are considered upper-medium grade and are subject to low credit risk.



22. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa.
23. Moody's short-term ratings are opinions of the ability of issuers to honour short-term financial obligations and are shown below.

<b>P-1</b>	Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.
<b>P-2</b>	Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

24. Standard and Poor's (S&P) Long Term Rating

<b>AAA</b>	An obligation rated AAA has the highest rating assigned by S&P. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.
<b>AA</b>	An obligation rated AA differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.
<b>A</b>	An obligation rated A is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

25. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.
26. Standard and Poor's (S&P) Short Term Ratings are shown below

<b>A-1</b>	A short-term obligation rated A-1 is rated in the highest category by S&P. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.
<b>A-2</b>	A short-term obligation rated A-2 is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

## **ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2025-26**

### **Background**

1. Minimum Revenue Provision (MRP) is a statutory requirement to make a charge to the council's General Fund as provision for the repayment of the council's past capital debt and other credit liabilities.
2. The Local Government Act 2003 requires local authorities to have regard to the Ministry of Housing, Communities & Local Government (MHCLG) Guidance on Minimum Revenue Provision.
3. The broad aim of the guidance is to ensure that capital expenditure is financed over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.
4. The guidance requires the council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. This forms part of the treasury management strategy considered by council assembly annually.
5. A prudent level of MRP on any significant asset or expenditure may be assessed on its own merits or in relation to its financing characteristics in the interest of affordability or financial flexibility. In general, other than for assets not yet available for use at the start of the year and for non-commercial capital loans with no expected credit losses, a prudent MRP charge should be made for all elements of the Capital Financing Requirement (CFR) i.e. it should be sufficient to reduce the CFR to nil over an appropriate time period.
6. The Strategic Director of Resources has delegated responsibility for implementing the Annual Minimum Revenue Provision Statement and executive, managerial, operational, and financial discretion to determine MRP and any practical interpretation issues.
7. The Strategic Director of Resources may make additional revenue provisions, over and above those set out, and set aside capital receipts, balances or reserves to discharge financing liabilities for the proper management of the financial affairs of the HRA or the general fund.

### **General Fund Supported Capital Expenditure or Capital Expenditure incurred before 1 April 2008**

8. The methodology applied to pre-2008 debt, is on an annuity basis, calculated over the 40 years remaining as at 31 March 2018 (within the pre-2008 debt portfolio the final loan of which is due for repayment in 2057-58).

### **General Fund Self- Financed Capital Expenditure from 1 April 2008.**

9. Where capital expenditure incurred from 1 April 2008 is on an asset financed wholly or partly by self-funded borrowing, the MRP is to be made in instalments over the life of the asset on an annuity basis at an interest rate determined by the Strategic Director of Resources.
10. The asset life method shall also be applied to borrowing to meet expenditure from 1 April 2008 which is treated as capital expenditure by virtue of either a direction under section 16(2) of the 2003 Act or regulation 25(1) of the 2003 Regulations. The Strategic Director of Resources shall determine the asset life. When borrowing to construct an asset, the asset life may be treated as commencing in the year the asset first becomes operational and postpone MRP until that year.
11. Where capital expenditure involves non-commercial loans to third parties made after 7 May 2024, capital receipts received in year from loan repayments may be applied to the CFR in lieu of MRP. Sufficient MRP should be made for such loans to ensure that the CFR relating to the loan is no higher than the loan balance net of any expected credit losses.
12. Where capital expenditure involves a variety of different types of works and assets, the period over which the overall expenditure is judged to have benefit over shall be considered as the life for MRP purposes. Expenditure arising from or related or incidental to major elements of a capital project may be treated as having the same asset life for MRP purposes as the major element itself. An estimate of the life of capital expenditure may also be made by reference to a collection or grouping of expenditure type or types.
13. Where additional revenue charge has been made to reduce the CFR above the minimum prudent charge in accordance with statutory guidance, such overpayments may be used to reduce MRP charges in later years.

### **PFI & Leases**

14. In the case of finance leases, on-balance sheet private finance initiative contracts or other credit arrangements, MRP shall be the sum that writes down the balance sheet liability. These are being written down over the PFI contract term or the life of the lease.

### **The Annuity Method**

15. The annuity method makes provision for an annual charge to the general fund which takes account of the time value of money (whereby paying £100 in 10 years' time is less of a burden than paying £100 now). The annuity method also matches the repayment profile to how the benefits of the asset financed by borrowing are consumed over its useful life (i.e. the method reflects the fact that asset deterioration is slower in the early

years of an asset and accelerates towards the latter years). This re-profiling of MRP therefore conforms to the DLUHC “Meaning of Prudent Provision” which provides that “*debt [should be] repaid over a period that is reasonably commensurate with that for which the capital expenditure provides benefits*”.

## Prudential Indicators 2025-26 to 2027-28

- The Local Government Act 2003 requires the council to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent, and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

## Estimates of Capital Expenditure

- The council's planned capital expenditure and financing is as summarised below. Further detail is provided in the month 4 capital monitoring for 2024-25 as reported to cabinet on 15 October 2024.

2023-24 Actual £m	Capital Expenditure and Financing	2024-25 Forecast £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m
102	General Fund	157	104	59	38
331	HRA	267	217	167	172
<b>433</b>	<b>Total Expenditure</b>	<b>424</b>	<b>321</b>	<b>226</b>	<b>210</b>
25	Capital Receipts	57	43	32	26
95	Capital Grants	46	23	6	29
73	Revenue and Reserves	74	72	78	79
0*	External Contributions	0	0	0	0
240	Funded by Borrowing	246	183	110	76
<b>433</b>	<b>Total Financing</b>	<b>424</b>	<b>321</b>	<b>225</b>	<b>210</b>

\* included in Capital Grants

## Estimates of Capital Financing Requirement

- The Capital Financing Requirement (CFR) measures the council's underlying need to borrow for a capital purpose.
- The implementation of International Financial Reporting Standard 16 'Leases' (IFRS 16) had been deferred to 01 April 2024. Existing leases have been reclassified leading to an increase in the council's reported CFR for 2024-25.
- The CFR is forecast to rise over the next three years as capital expenditure financed by debt is outweighed by resources set aside for debt repayment. See table below.

<b>2023-24 Estimate £m</b>	<b>Capital Financing Requirement</b>	<b>2024-25 Forecast £m</b>	<b>2025-26 Estimate £m</b>	<b>2026-27 Estimate £m</b>	<b>2027-28 Estimate £m</b>
852	General Fund	935	992	1,021	1,012
890	HRA	1,034	1,139	1,200	1,246
<b>1,742</b>	<b>Total CFR</b>	<b>1,969</b>	<b>2,131</b>	<b>2,221</b>	<b>2,258</b>

### Gross Debt and the Capital Financing Requirement

6. To ensure that over the medium-term debt will only be for a capital purpose, the council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence. Actual external borrowing is expected to remain under this value.

<b>31-03-24 Actual £m</b>	<b>Gross Debt and Capital Financing Requirement</b>	<b>31-03-25 Forecast £m</b>	<b>31-03-26 Estimate £m</b>	<b>31-03-27 Estimate £m</b>	<b>31-03-28 Estimate £m</b>
1,156	Gross Projected Debt (including PFI & Leases)	1,257	1,467	1,548	1,685
1,742	Capital Financing Requirement	1,969	2,131	2,221	2,258
<b>586</b>	<b>Under / (Over) CFR</b>	<b>712</b>	<b>664</b>	<b>673</b>	<b>573</b>

7. Total debt is expected to remain below the CFR during the forecast period.

### Operational Boundary for External Debt

8. The operational boundary is based on the council's estimate of the most likely (i.e. significantly prudent but not worst case) scenario for external debt. It links directly to the council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing, but form part of the council's debt.

2023-24 £m	Operational Boundary	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
1,085	Borrowing	1,397	1,646	1,817	1,948
71	Other Long-Term Liabilities	66	61	56	50
<b>1,156</b>	<b>Total Debt</b>	<b>1,463</b>	<b>1,707</b>	<b>1,872</b>	<b>1,998</b>

#### Authorised Limit for External Debt:

9. The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003 / Local Government Finance Act. It is the maximum amount of debt that the council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

2023-24 £m	Authorised Limit	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
1,085	Borrowing	1,555	1,845	2,020	2,149
71	Other Long-Term Liabilities	66	61	55	50
<b>1,156</b>	<b>Total Debt</b>	<b>1,621</b>	<b>1,906</b>	<b>2,075</b>	<b>2,199</b>

#### Ratio of Financing Costs to Net Revenue Stream

10. This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

2023-24 Actual	Ratio of Financing Costs to Net Revenue Stream	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate
3%	General Fund	6%	5%	6%	6%
8%	HRA	11%	10%	8%	8%

#### Debt Limits

11. The council's debt profile is shown in the table below.

<b>Debt maturity profile limits</b>	<b>Lower Limit</b>	<b>Upper Limit</b>	<b>Actual Debt Maturity Profile</b>
Under 12 months	0%	35%	7%
12 months and within 24 months	0%	35%	1%
24 months and within 5 years	0%	50%	4%
5 years and within 10 years	0%	75%	3%
10 years and above	25%	100%	85%

### **Adoption of the CIPFA Treasury Management Code**

12. The council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services Code of Practice*. It fully complies with the Code's recommendations.



<b>Meeting Name:</b>	Audit, governance and standards committee
<b>Date:</b>	13 November 2024
<b>Report title:</b>	Internal audit progress report
<b>Ward(s) or groups affected:</b>	All
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	N/A
<b>From:</b>	Strategic Director of Resources

### **RECOMMENDATION**

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

### **BACKGROUND INFORMATION**

2. This report informs the Audit, Governance and Standards Committee of progress against completion of the 2024-25 internal audit plans.

### **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
None		

**APPENDICES**

No.	Title
Appendix A	Internal audit progress report
Appendix B	Internal audit progress report: Supplementary report – follow up status details

## AUDIT TRAIL

<b>Lead Officer</b>	Clive Palfreyman, Strategic Director of Resources	
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# INTERNAL AUDIT PROGRESS REPORT

London Borough of Southwark  
2024-25

For presentation to the Audit, Governance  
and Standards Committee 13 November 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 2024-25 internal audit plan, approved by the Committee on 5 February 2024. 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 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.

## 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.

## 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 audit schedule. The status of the audits commenced to date is outlined within section two of this report.

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

## INTERNAL AUDIT PROGRAMME FOR SCHOOLS

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

The school internal audit plan for 2024-25 has commenced with school site visits for the Summer term completed in June and July 2024 as planned and Autumn visits are underway.

A schedule of status and internal audit opinions for schools is included in section three of this report.

In respect of planning for the 2025-26 audit programme, we attended a meeting with the Children Services Leadership Team to discuss the school summary report presented to the Audit, Governance and Committee in September 2024. We are working together to provide support to schools to ensure that they are fully aware of the local authority expectations on financial related risks and controls, such that schools can proactively address areas where their existing control frameworks need to be strengthened.

We are also seeking to better take account of the timing and potential reliance on work completed by other functions (eg Finance and HR) within the Council and external regulatory bodies (eg Ofsted).

## FOLLOW UP

The Council has a recommendation implementation rate of 92.2%, which is a marginal decrease compared to the 92.8% reported in September 2024.

Several recommendation target dates for 2022-23 and 2023-24 continue to be revised multiple times, which is preventing an improved implementation rate.

Summary information and the status of recommendations that have not been completed is included in section four 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.

### **2025-26 INTERNAL AUDIT PLAN**

The process for developing next year's internal audit plan will commence in mid-November. This will include, but not be limited to:

- review of the Council's key strategies, plans and priorities (including Southwark 2030).
- consideration of key risks identified in the Corporate and Directorate Risk Registers.
- consideration of the operating environment, new legislation and regulations, and emerging risk areas.
- taking account of other assurance providers and the work completed / planned.
- meeting with directorate management teams and CMT to identify any areas of concern, change, or interest.

A draft internal audit plan will be presented to the Audit, Governance and Standards Committee at the meeting on 3 February 2025.

### **NEW GLOBAL INTERNAL AUDIT STANDARDS AND CODE OF PRACTICE FOR THE GOVERNANCE OF INTERNAL AUDIT IN UK LOCAL GOVERNMENT**

New Global Internal Audit Standards (GIAS) come into effect on 9 January 2025. This will be complemented by GIAS in the UK Public Sector which is currently under consultation and will be applicable from 1 April 2025.

CIPFA is currently consulting on a revised Code of Internal Audit Standards (CIAS) and new Code of Practice for the Governance of Internal Audit, to reflect the statutory framework in the UK and support local authorities in meeting their internal audit obligations. The revised GIAS and new Code will apply from 1 April 2025.

As the Council's internal audit providers, we will work with senior management to ensure that the Council and BDO in its governance and service delivery are compliant with both the CIAS and the Code.

Our internal audit charter will need to be updated to reflect the changes arising from this new framework. Therefore, we propose to include an initial charter with our draft internal audit plan for 2025-26 and present a revised version to the June 2025 meeting of the Committee.

## 2. SUMMARY OF INTERNAL AUDIT PLAN 2024-25

The table below summarises the outcome of audits relating to the 2024-25 that have been fully completed. For those audits shaded in grey, these have not previously been reported to the Audit, Governance and Standards Committee, and the executive summaries are included in section 3.

Audit	Director / Sponsor	ToR issued	Field work	QA / Reporting	Design	Operational Effectiveness
<b>FINAL REPORTS - EXECUTIVE SUMMARIES INCLUDED IN THIS PROGRESS REPORT</b>						
Adopt London Partnership	Strategic Director, Children and Families	✓	✓	Final	Moderate	Limited
Asset Management Statutory Compliance	Strategic Director, Housing	✓	✓	Final	Limited	Moderate
Information Requests	Assistant Chief Executive, Governance and Assurance	✓	✓	Final	Substantial	Limited
Mosaic Financial System	Director, Customer and Exchequer Services	✓	✓	Final	Moderate	Moderate
People Power Innovation Fund	Assistant Chief Executive, Strategy and Communities	✓	✓	Final	N/A - Advisory	
Scrutiny	Assistant Chief Executive, Governance and Assurance	✓	✓	Final	Limited	Moderate
Solace Overpayments	Director, Communities	✓	✓	Final	N/A - Advisory	
Supported Families - Quarter One	Strategic Director, Children and Families	✓	✓	Final	N/A - Grant	
Supported Families - Quarter Two	Strategic Director, Children and Families	✓	✓	Final	N/A - Grant	
TMO1 - Cooper Close	Director, Resident Services	✓	✓	Final	Limited	Limited
TMO2 - Falcon Point	Director, Resident Services	✓	✓	Final	Moderate	Moderate
Treasury management	Strategic Director, Resources	✓	✓	Final	Substantial	Substantial



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 February 2025 meeting.

Audit	Director / Sponsor	ToR issued / Planning Status	Fieldwork / Timing (planned / in progress)	QA / Report
<b>CHILDREN AND ADULT SERVICES DIRECTORATE</b>				
Deputyships and Appointeeships	Director, Adult Social Care	Scoping meeting held	December 2024	
Foster Carers	Director, Children and Families	✓	✓	
Payments to Children and Families	Director, Children and Families	✓	✓	
Substance Misuse	Director, Public Health	✓	✓	
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	✓	November 2024	
Waiting Lists	Director, Adult Social Care	Planning	December 2024	
<b>ENVIRONMENT, SUSTAINABILITY AND LEISURE DIRECTORATE</b>				
Climate Emergency	Climate Change Programme Director	✓	✓	
Enforcement	Director, Environment	Planning	January 2025	
Highways Maintenance	Director, Environment	Planning	January 2025	
Pest Control	Director, Environment	✓	✓	
Streets for People Strategy	Director, Environment	✓	November 2024	
Street Lighting and Signs	Director, Environment	Planning	January 2025	
Waste Contract / PFI	Director, Environment	✓	January 2025	
Youth and Play Service	Director, Leisure	✓	✓	

Audit	Director / Sponsor	ToR issued / Planning Status	Fieldwork / Timing (planned / in progress)	QA / Report
<b>RESOURCES DIRECTORATE</b>				
Accounts Payable	Director, Customer and Exchequer	✓	November 2024	
Bankline	Director, Customer and Exchequer	✓	✓	✓ Report being drafted
Bribery and Corruption Controls	Strategic Director, Resources	Planning	February 2025	
Budgetary Monitoring and Reporting	Director, Corporate Finance	✓	✓	
Council Tax	Director, Customer and Exchequer	✓	✓	
Housing Rents	Director, Customer and Exchequer	✓	✓	
IT - Change Management	Chief Digital & Technology Officer	✓	✓	
IT - Incident Management	Chief Digital & Technology Officer	✓	✓	Draft Report 28/10/24
IT - STS Financial Management	Chief Digital & Technology Officer	✓	✓	✓ Report being drafted
IT - Cyber Security Controls over Supply Chain	Chief Digital & Technology Officer	Planning	February 2025	
Leaseholder Service Charges	Director, Customer and Exchequer	Planning	December 2024	
Pensions Administration	Head of Pensions Operations	✓	✓	
Planning Applications and S106 Agreements	Director, Planning and Growth	✓	✓	✓ Report being drafted
Suspense Accounts Management	Director of Customer and Exchequer	✓	✓	
<b>GOVERNANCE AND ASSURANCE</b>				
Contract Management	Assistant Chief Executive	Planning	January 2025	
Corporate Facilities Management	Assistant Chief Executive	✓	✓	✓ Report being drafted

Audit	Director / Sponsor	ToR issued / Planning Status	Fieldwork / Timing (planned / in progress)	QA / Report
Mayor's Office and Expenses	Head of Constitutional Services	✓	✓	Draft Report 23/10/24
Payroll	Director, People and Organisational Development	Planning	March 2025	
Workforce Governance	Chief Executive / Assistant Chief Executive	Scoping meeting held	December 2024	
<b>HOUSING DIRECTORATE</b>				
Asset Management Systems	Director, Asset Management	Planning	February 2025	
Engineering Services	Director, Asset Management	Planning	February 2025	
Housing Applications and Allocations	Director, Resident Services	✓	December 2024	
Temporary Accommodation	Director, Resident Services	Planning	February 2025	
TMO - Gloucester Grove	Director, Resident Services	✓	✓	
TMO - Two Towers (Advisory)	Director, Resident Services	✓	✓	Draft Report 14/10/24
<b>STRATEGY AND COMMUNITIES</b>				
Communications and Media	Assistant Chief Executive	Planning	January 2025	
Emergency Planning and Resilience	Assistant Chief Executive & Emergency Planning & Resilience Manager	✓	✓	✓ Report being drafted
Southwark 2030 and strategic planning	Assistant Chief Executive	Planning	January 2025	
Transformation Programme	Assistant Chief Executive / Head of Strategy and Change	Planning	February 2025	

## SCHOOLS INTERNAL AUDIT PROGRAMME

The table below shows the status of the school audit plan.

School	Status	Design	Operational Effectiveness
<b>2023-24</b>			
Victory Primary School	Draft Report 25/09/24	Substantial	Moderate
<b>2024-25</b>			
Bessemer Grange Primary School	Final	Moderate	Moderate
Bird In Bush School	Final	Moderate	Moderate
Boutcher Church of England Primary School	Final	Moderate	Moderate
Goodrich Primary School	Final	Moderate	Moderate
Heber Primary School	Final	Moderate	Moderate
St Thomas the Apostle School and Sixth Form College	Draft Issued 18/09/2024, response received and being clarified		
Highshore School	Draft Issued 01/10/2024		
The Cathedral School of St Saviour and St Mary Overie	Draft Issued 21/10/2024		
Nell Gwynn	Draft issued 23/10/2024		
John Ruskin Primary School	Report being drafted		
St Joseph's Catholic Infants School	Report being drafted		
St Francis's RC Primary School	November 2024		
Southwark Park Primary School	November 2024		
St John's and St Clement's Church of England Primary 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		

### 3. FINAL REPORTS - EXECUTIVE SUMMARIES

Adopt London South Partnership					
LEVEL OF ASSURANCE	MODERATE	LIMITED	RECOMMENDATIONS	High	4
				Medium	1
				Low	-
<p><b>Purpose:</b> To provide assurance to the Council as the Host Authority that the financial arrangements with respect to the Adopt London South Partnership are appropriate and being administered correctly, such that Partners contribute an appropriate share of the Agency's costs and receive proportionate funding.</p>					
<p><b>Areas of strength:</b></p> <ul style="list-style-type: none"> <li>The cost model used by the Council produces an output in line with methodology outlined in the Inter-Authority Agreement and the model correctly applies the KPI weightings.</li> <li>Quarterly reports are presented to the ALS Board on the financial performance of the partnership, including financial position, interagency fees, position regarding debt (owed to the Council) and invoicing and an update on the Adoption Support Fund. Per the Q3 report, 2023-24, the forecasted position improved from an adverse variance of £154k in Q2 to an adverse variance of £72k (Q3), mainly due to the reduction of agency use.</li> <li>There are adequate monitoring arrangements in place to track interagency expenditure to ensure that payments are made correctly and match the invoices. We confirmed that the interagency fees were charged to partner councils per the agreed partnership split and that the method for calculating the inter-agency costs was as per the Inter-Authority Agreement.</li> <li>Appropriate approval for the additional costs to match funding received from the DfE was evidenced from each of the councils and correctly accounted for on the SAP system.</li> </ul>					
<p><b>Main areas of concern:</b></p> <ul style="list-style-type: none"> <li>We found inaccuracies in the KPI data used to calculate one borough's contributions for 2023-24 and 2024-25. This error resulted in an overcharge of £178,626 (£78,794 for 2023-24 and £99,832 for 2024-25). As the borough's contribution is calculated using a model that deviates from the standard model, this affected their contributions only but may also affect the other partners depending on the outcome of discussions between the ALS and the borough.</li> <li>The Council has an increasing Adoption Support Fund (ASF) reserve (£352,726) as of May 2024 which included the funds overclaimed from the DfE for ASF payments. As at May 2024, a further £32,271 was overclaimed by the Council which will be allocated to the reserve. There is inadequate monitoring of ASF claims made from the DfE to ensure timely repayment of the funds to the DfE should this be required.</li> <li>Our review of 10 ASF payments (totalling £38,046) made to providers identified four exceptions. In two instances invoices with a total value of £2,273 were not claimed back from the DfE, although at least three months had passed since date of payment. In one case, the Council overpaid the provider by £1,700. In the remaining instance, we identified that payments were paid (£1,440 and £450) against the wrong child as the incorrect purchase order number was quoted on these invoices by the provider and these payments have not been recovered from the DfE. The error made by the provider should have been identified prior to the payment being made.</li> <li>The Council does not have formal procedures in place to provide guidance on the process for managing interagency and ASF payments. Although the process of the ASF payments was changed in April 2022 by DfE, the Council did not develop procedure documents that align to the new process.</li> </ul>					

## Asset Management Statutory Compliance

LEVEL OF ASSURANCE

LIMITED

MODERATE

RECOMMENDATIONS

High	4
Medium	2
Low	1

**Background:** This audit was requested specifically by the Strategic Director of Housing to review the Council's compliance with statutory requirements and identify areas for improvement.

**Purpose:** To provide assurance over the adequacy and effectiveness of the arrangements for managing statutory compliance with regards to the health and safety standards set by the Regulator specifically for asbestos, electrical, fire, gas, lift safety and water.

### Areas of strength:

- A review of a sample of 30 cases of compliance testing and scheduling process across the 'Big 6': asbestos safety, electrical compliance, fire safety, gas safety, lift safety and water safety, confirmed a structured approach to compliance administration and accurate record keeping.
- Statutory compliance reporting is completed on a monthly basis and our review of a sample of 30 cases confirmed the most recent monthly report was supported by valid compliance certificates.
- The Council's website provides comprehensive fire, smoke alarm and carbon monoxide safety information in line with the Fire Safety (England) Regulations 2022, alongside other relevant laws on fire and carbon monoxide (CO) safety in rented homes such as the Housing Act 2004, Fire Safety Act 2021, and Building Safety Act 2022.

### Main areas of concern:

- There were 2,624 property status changes in 2023-24 due to voids, sales, and demolitions. However, there is no clear structured procedure to effect the change or confirm the comprehensiveness of the building list, as well as the categories of units requiring all of the various checks and inspections assured each month.
- The Council's statutory compliance is being met regarding emergency lighting, however internal Domestic Electrical Installation Condition Reports (DEICR) which became statutory in July 2023 were not previously being undertaken. An electrical safety programme commenced in April 2023 focusing on the higher risk buildings registered with the Building Safety Act (BSA) regulator (BSR). However, this programme is not expected to be completed before 2026.
- We saw evidence that the Council was not delivering the standards expected of a social housing landlord. Compliance was not 100% in 2023-24 or 2024-25 to date, particularly for electrical safety. The Council made a self-referral to the Regulator on 18 June 2024.
- An Apex Health & Safety issues report dated 12/08/2024 recorded 6,280 outstanding remedial works, primarily aimed at reducing the risk of spread of fire and smoke. The backlog of remedial works included high, medium, and low priority works dating back to 2021. We identified that a comprehensive and risk based remedial plan had not been maintained to ensure the backlog across all of the 'Big 6' areas is completed on a timely basis.
- The Council does not have effective housing asset management systems and is reliant upon one individual for the interim compliance administration and reporting across all 'Big 6' areas. There is no H&S Committee, or robust governance framework beyond line management to ensure sufficient understanding and oversight of the development and implementation of the new asset management systems, True Compliance and Northgate (NEC).
- All officers employed by the Council to perform the various compliance checks and inspections, compliance management and administrative activities would have been vetted. However, there is no mechanism to ensure there is a comprehensive log of their qualifications and CPD training.

## Information Requests

LEVEL OF ASSURANCE

SUBSTAINAL

LIMITED

RECOMMENDATIONS

High	1
Medium	1
Low	2

**Purpose:** To provide assurance on the adequacy and effectiveness of controls relating to Freedom of Information (FOI), Subject Access Requests (SAR), and Environmental Information Requests (EIR) such that statutory requirements and timeframes are met.

### Areas of strength:

- Roles and responsibilities for dealing with the various information requests are clearly defined.
- Guidance and procedural documents (handbook) for requests relating to Subject Access, Freedom of Information and Environmental Information Regulations 2004 are clear and comprehensive, and up to date. There are adequate training arrangements in place.
- For a sample of 15 information requests in the period April 2023 to April 2024 we confirmed that for all cases, appropriate reasons were recorded for the allocation of requests to the relevant departments and that allocations had been actioned correctly.
- The Council has appropriate mechanisms in place to assist staff in receiving information and responding to requests in an accurate and timely manner.
- In respect of Section 14 - refusal of vexatious or repeated requests under the Freedom of Information Act (FOIA), the handbook provides links to the ICO's website guidance and comprehensive details on what officers should consider and include when handling potentially vexatious requests. An example ICO decision notice is provided for officers to use as further reference. We confirmed that the handbook was consistent with the ICO guidance.
- There is an appropriate framework in place for monitoring and reporting the Council's compliance with information request legislation.

### Main areas of concern:

- Although detailed guidance was in place, we identified that this is not maintained on the Council's intranet, Source, with the pages on the FOI Act, EIR requests, and SAR, not updated since 2019.
- We requested evidence of compliance with legislation and Council processes for a sample of 15 information requests. Exceptions relating to a delay or lack of response to the requests, as well as non-compliance with the response procedures as agreed by the Council's handbook were identified in five cases.
- The compliance rates for requests responded to within the legislative timeframe in Q3 2023-24 were below 90% for all request types. The ICO considers compliance rates below 90% as a cause for concern.

## Mosaic

LEVEL OF ASSURANCE

MODERATE

MODERATE

RECOMMENDATIONS

High	1
Medium	1
Low	1

**Purpose:** To provide assurance over the arrangements for recording, approving, and processing social care packages within Mosaic, such that only valid and accurate amounts are generated for processing and payment. The audit also examined whether recommendations from the BUPA Advisory Review, conducted in August 2021, have been implemented.

Mosaic is the system used by the Council to record and manage social care provision and process payments to service providers.

### Areas of strength:

- Access levels assigned to staff were commensurate with their role and in line with the departmental Scheme of Management. We recognise that effectiveness of controls for managing staff access has improved since our review completed in 2023-24, since no exceptions were identified.
- For a sample of 10 Adult Social Care Homecare living payments selected, we confirmed that the payments recorded on Mosaic, matched the amounts recorded on SAP. We found that in each case, the payments were recorded in the payment run and appropriate approval was evidenced.
- We completed a walkthrough of three types of payment runs; historic, current, and rejected and confirmed that payment runs were processed and approved appropriately. Supporting documentation was retained in each case to confirm the details recorded in the payment run and no exceptions were identified.

### Main areas of concern:

- Our review of the application documentation for 10 ASC Homecare service users identified seven exceptions in relation to the delay in the completion of the Care Act Assessment, whereby it exceeded the 28-day timeframe. The time frames of assessments ranged from 31 to 59 days. In one case, application documentation was not retained, and it was not clear how the ASC Team determined the needs of the service user to set up a tailored care package and assess eligibility.
- The Council has implemented a four weekly reporting process to identify overpayments relating to service users who have passed away. We identified one case that was processed late that led to an overpayment of £1,347.60.
- The Council has a set of procedure documents covering various processes in Mosaic. We identified four draft procedure documents which had not been updated since April 2023.
- BUPA Recommendations Follow Up: Through interrogation of evidence, we confirmed the implementation of six out of the nine recommendations from the BUPA Advisory Review. For the remaining three, progress continues, and we will now follow them up as part of our routine follow up processes.



People Power Innovation Fund			
LEVEL OF ASSURANCE	N/A - ADVISORY REVIEW	RECOMMENDATIONS	High - Medium - Low -
<p><b>Purpose:</b> To support the national management trainees in the development of the governance and control framework for the People Power Innovation Fund.</p>			
<p><b>Work performed and output:</b></p> <ul style="list-style-type: none"> <li>• We held meetings and reviewed the documentation prepared to support the governance and control framework over the Fund and how it was to be allocated.</li> <li>• We prepared an “Aide Memoire on good governance and internal control” relevant to the Fund, to support the discussions and as a basis for ensuring that key points were not lost. The contents were centred around the terms of reference and overview of the Fund provided to internal audit.</li> <li>• The advice was derived from best practice in respect of governance and grant funding management and controls and draws from other grant audits at the Council and across our wider client base.</li> <li>• The advice outlined areas raised in the meeting that the project managers should consider when designing and delivering the governance, management, and administration process for the People Power Innovation Fund, in the areas below: <ul style="list-style-type: none"> <li>- Good Governance</li> <li>- Stages in a grant management process</li> <li>- Risk management and internal control.</li> <li>- Fraud risk</li> <li>- Application forms</li> <li>- Queries prompted by the Fund overview slides provided by Project Managers</li> <li>- What an internal audit of a grant would typically cover.</li> </ul> </li> <li>• The aide memoire also included specific advice and guidance where the proposed arrangements could be clarified or strengthened, such as further information on delivery timeframes, membership of evaluation panels and capturing learning to apply to future similar schemes.</li> </ul>			

Scrutiny					
LEVEL OF ASSURANCE	LIMITED	MODERATE	RECOMMENDATIONS	High	1
				Medium	2
				Low	-
<p><b>Purpose:</b> To provide assurance that the Council has suitable arrangements in place to implement the recommendations arising from the Scrutiny Improvement Review approved by the Overview and Scrutiny Committee.</p>					
<p><b>Added Value:</b> We reviewed similar CfGS reports from three councils. We have looked at these examples specifically as they are recent (within the last two years and have received high ratings).</p>					
<p><b>Areas of strength:</b></p> <ul style="list-style-type: none"> <li>• There are established governance arrangements to consider the action plans arising from the CfGS report. A formal action plan to address the recommendations made by the CfGS was presented by the Head of Scrutiny (HoS) to the OSC on 4 October 2023, and all proposed actions were agreed by the OSC. The minutes dated 29 November 2023 that these recorded an appropriate overview of the recommendations and timeline for implementation of actions.</li> <li>• We found that though the timeline for delivery of this protocol has been delayed, the HoS has written to the chair of the Scrutiny Committee, Chief Executive and Leader of the Council, for comment on the draft protocol, and has received a response as a result of which the draft protocol is scheduled to be presented to CMT on 15 October 2024. The aim is to have the protocol signed off by 31 October 2024, and actions arising being implemented by 29 November 2024. This is a clear aim which has been included in this communication thus encouraging progress and accountability.</li> <li>• There has been some progress against the action plan as evidenced from the action log as of 21 November 2023, at which point, 6 actions were marked as complete. By 13 March 2024, an update to the Chair of OSC via email showed that 22 actions were marked as complete.</li> <li>• As part of our sample testing, we tested eight completed actions. For four of these actions documentation was available to evidence the implementation of these actions and confirm that they addressed the recommendations as per the CfGS report.</li> </ul> <p><b>Main areas of concern:</b></p> <ul style="list-style-type: none"> <li>• The action plan developed to record agreed actions was difficult to manipulate and thus made it difficult for the Council to track the progress of actions raised as a result of the CfGS review. In its current format the action log is not fit for purpose.</li> <li>• We found that formal updates to the OSC were not made on a regular basis, thereby governance oversight and accountability for progress against actions is limited.</li> <li>• We found that documentation was not sufficient to evidence the implementation of four out of our sample of eight agreed actions. Thereby there is a lack of assurance that actions that have been marked as complete, have been completed and progress has been made against the recommendations raised.</li> </ul>					

## SOLACE Overpayments Recovery

LEVEL OF ASSURANCE

N/A - ADVISORY

N/A - ADVISORY

RECOMMENDATIONS

High -  
Medium -  
Low -

**Purpose:** To provide an independent advisory review of the data, methodology and findings from the financial review undertaken by the Council of the SOLACE over reporting of performance figures S01 to S07, to confirm that they are reasonable, and based upon the information available to the Council.

Solace Women's Aid exists to end the harm done through gender-based violence. Since 2016, Solace has received funding from the Council. The contract was 100% payment by results (PbR) up to 2019-20. PbR was suspended for 2020-21 due to the Covid-19 pandemic.

### Summary of work completed:

- We reviewed the methodology used by the Council to calculate the Solace overstatement of performance results and associated overpayments, and found it to be clearly documented, sufficiently detailed and based on reasonable assumptions.
- We were able to agree the majority of the data used in the Council's calculations to source documentation. We found two figures relating to the 2018-19 SO4 and SO5 calculations which conflicted with the source data. However, this had no impact on the calculations as the amount claimed by Solace was subject to a cap at a value below both data points.
- We performed a number of calculations to validate and verify the Council's calculations.
  - We used a basic methodology using the figures provided by Solace
  - We reperformed the calculations using the Council's methodology with a minor amendment that shows the results of a variation in rounding techniques.
  - We recalculated the figures using a different method which demonstrates that use of a more basic % calculation results in the same result.
  - We used an alternate method of extrapolation to demonstrate that similar results were achieved to the Council's calculations.
- In conclusion, in terms of reclaiming back funds paid to Solace, extrapolation via a number of methods yields a minimum overpayment value of £395,9851 and a maximum overpayment value of £426,547 when we consider the caps on service user numbers. Although there are other ways that an extrapolation could be carried out, the Council's own calculation of £424,248 seems reasonable, however, we would recommend the use of more consistent rounding practices which creates the figure of £423,673.

## Supported Families - Quarter One (1 April 2024 to 30 June 2024)

LEVEL OF ASSURANCE

N/A - GRANT

N/A - GRANT

RECOMMENDATIONS

High -  
Medium -  
Low -

**Purpose:** In accordance with the Supporting Families Programme Guidance, we have checked and verified a representative sample of 10% of families that the Council has supported, before the claim is submitted, to confirm the eligibility of the payments by results being claimed.

### Areas of strength:

- For the period 1 April 2024 to 30 June 2024, we reviewed a sample of 18 claims (10%). We verified with reference to evidence that the summary of extracts and data correspond to the reasons why the family is considered a successful outcome.
- For each child of school age in the family, we confirmed that they achieved at least two consecutive terms of attendance over 90%. Of our sample, we identified no exceptions to prevent submission.
- We selected six of the 18 claims (one-third of our sample), to confirm the Council's assertions against primary data. For the six cases we reviewed in Mosaic, we identified no discrepancies between the source data and the successful outcome assertions provided by the Council.

### Main areas of concern:

- Review of the Council's evidence summaries for the sample of 18 claims identified three instances whereby the case notes documented in Mosaic did not clearly separate the original family need from the subsequent success measure. We discussed all three instances with the Council and determined that the format of the notes made it difficult to summarise the case, but that they do not represent exceptions to prevent the claims.

## Supported Families - Quarter Two (1 July 2024 to 30 September 2024)

LEVEL OF ASSURANCE

N/A - GRANT

N/A - GRANT

RECOMMENDATIONS

High -  
Medium -  
Low -

**Purpose:** In accordance with the Supporting Families Programme Guidance, we have checked and verified a representative sample of 10% of families that the Council has supported, before the claim is submitted, to confirm the eligibility of the payments by results being claimed.

### Areas of strength:

- For the period 1 July 2024 to 30 September 2024, we verified for our sample of 18 claims (10%) with reference to evidence, that the summary of extracts and data correspond to the reasons why the family is considered a successful outcome.
- For each child of school age in the family, we confirmed that they achieved at least two consecutive terms of attendance over 90%. Of our sample, we identified no exceptions to prevent submission.
- For the six of the 18 claims (one-third of our sample), we confirmed the Council's assertions against primary data held in Mosaic. We identified no discrepancies between the source data and the successful outcome assertions provided by the Council.

### Main areas of concern:

- For one claim, review of the Council's evidence summary and the source documentation within the Mosaic record identified that an additional family need, adult needs support with their mental health, had been met. The minimum requirement for three success criteria had already been evidenced, and the evidence supported a successful outcome in this additional area, therefore we determined that this did not constitute an exception to prevent submission.
- For one claim, review of the Council's evidence summary and the source documentation within the Mosaic record identified that family need, family require support with their finances and / or have unmanageable debt had been successfully met. However, this had been mistakenly recorded as family need, adult in the family is workless. We concluded that this was a mis-categorisation on the Council's summary sheet, but that the successful outcome of financial stability had been achieved. Therefore, we determined that this did not constitute an exception to prevent submission.

## TMO - Cooper Close co-operative

LEVEL OF ASSURANCE

LIMITED

LIMITED

RECOMMENDATIONS

High	4
Medium	4
Low	-

**Purpose:** To provide assurance over the adequacy of the design and operational effectiveness of the controls in place relating to the TMO's operational and financial processes, such as financial management, procurement, and statutory compliance, including health and safety, fire risk assessment and asbestos.

### Areas of strength:

- Budget monitoring was being undertaken on a regular basis and reports provided sufficient detail on budget performance including actuals and forecasts against full year budget. The financial report and accounts for 2023-24 had been presented and approved on time.
- External decorations funds were being kept in a reserve hold account, with the Reserve fund holding £120,104. We confirmed that no requests or expenditure had been made from this fund in the last 12 months (to March 2024). We were advised by the TMO that last external works were completed a few years ago and it was likely that further works will be due soon.
- The TMO employs contractors from its approved list, and that the payments were completed in accordance with the agreed TMO financial procedures.
- Management Committee meetings were quorate in accordance with the TMO rules, with actions outlined and followed up in the subsequent meetings. Council members had been invited. All Management Committee members had completed and signed a current declaration of interest.
- The TMO subscribes to the Council training plan. The TMO has a recruitment policy that details the recruitment, selection, training, promotion and working environment.
- The MMA outlines the arrangements between the Council and the TMO in terms of managing leaseholders and service charges, which we found to have been followed. The TMO retained all correspondence and completed all required checks prior to the award of a property.

### Main areas of concern:

- Works orders and invoices were not raised and authorised in line with the MMA and financial procedures, and no supporting quotes were obtained for high-value purchases.
- The TMO does not have a formal rent collection process in place to ensure that arrears are identified, managed, and reported.
- While the TMO had a repair log in place, there was no work order tickets and quality checks undertaken on file, and remittance advices were not raised prior to the invoicing.
- Credit/debit card expenditure was not reviewed and signed as approved by the appropriate delegated authority as per the financial standing orders. The TMO has a finance policy, but we found it was last reviewed in November 2019. The policy does not specify procedures relating to credit card transactions.
- We found that our sample testing of three contractors (from the approved supplier listing) that in all cases the original contract documentation had not been retained on file.
- The TMO has specific Cooper Close Co-operative Rules in place, however they were last reviewed in August 2013. These rules incorporate the Management Committee roles, responsibilities, and quorum requirements at the TMO.
- The TMO has a staff handbook, but it did not have a publication date. The Equal Opportunities Policy had not been reviewed since July 2021. A Staff Appraisal Policy was not in place.



## TMO2 - Falcon Point Management Group

LEVEL OF ASSURANCE

MODERATE

MODERATE

RECOMMENDATIONS

High  
Medium  
Low

1  
4  
-

**Purpose:** To provide assurance over the adequacy of the design and operational effectiveness of the controls in place relating to the TMO's operational and financial processes, such as financial management, procurement, and statutory compliance, including health and safety, fire risk assessment and asbestos.

### Areas of strength:

- Budget monitoring was being undertaken on a regular basis and reports provided sufficient detail on budget performance including actuals and forecasts against full year budget. The financial report and accounts for 2023-24 had been presented and approved on time.
- External decorations funds are kept in a reserve hold account, the Reserve fund held £209,096. Additionally, we confirmed with the TMO accountant that no requests for external decorations had been made in the last 12 months. We reviewed the Falcon Point Management Group Nominal Activity as of 23 March 2024 which reconciled to the balance of £209,096. A comprehensive external decorations contract was awarded with works taking place in 2019 funded from the reserve and final payments made in 2020. All this work was completed per information provided. We were advised by the TMO that there has been no need for further redecoration at this point in time and the TMO will review the position in 2026.
- Our testing of three contractor payments made by the TMO concluded that the TMO undertakes work by contractors that are on its approved list. With contractor payments completed in accordance with agreed TMO financial procedures. Due diligence had been undertaken for recent approved contractors with contracts kept on file. We confirmed safe storage of the TMO Cheque book.
- Management Committee meetings were quorate as per accordance with the TMO rules, with actions outlined and followed up in the subsequent meetings. Council nominated members were invited. Management Committee members went through a training needs assessments and a training plan is in place.
- Our review of the TMO Equal Opportunity Policy and action plan confirmed it was last reviewed and updated by the Management Committee in April 2024. Additionally, the Equal Opportunities Policy incorporates the Southwark Stands together pledge.
- We reviewed the process design for leasing to prospective tenants as outlined within the MMA and confirmed that the TMO retained all correspondence and completed all required checks prior to the award of a property. The MMA outlines the arrangements between the Council and the TMO in terms of managing leaseholders and service charges, which we found to have been followed accordingly.

### Main areas of concern:

- Works orders and invoices were not raised and authorised in line with the MMA and financial procedures and no supporting quotes were obtained for high purchases.
- The TMO does not have a formal rent collection process in place to ensure that arrears are identified, managed, and reported.
- While the TMO had a repair log in place, there was no work order tickets and quality checks undertaken on file, and remittance advices were not raised prior to the invoice.
- The TMO has a Falcon Point Management Rules in place from 1996, however we found that it was last reviewed in August 2006. One out of eight members of the Management Committee had not signed a declaration of interest form.



## Treasury Management

LEVEL OF ASSURANCE

SUBSTANTIAL

SUBSTANTIAL

RECOMMENDATIONS

High -  
Medium -  
Low 1

**Purpose:** To provide assurance over Council's compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice, and the adequacy and effectiveness of the internal control environment for investment and borrowing transactions.

### Areas of strength:

- A Treasury Management Strategy is in place for the financial year 2024-25, which is in line with statutory requirements and the requirements of the (CIPFA) Treasury Management Code of Practice. It was approved by the Council Assembly prior to 2024-25. A Treasury Manual supports the Strategy and is sufficiently detailed with clarity on roles and responsibilities,
- A cashflow forecast is completed by the Treasury Accountant and reviewed by the Treasury Manager daily. Potential issues are reported to the Director of Corporate Finance in the bimonthly treasury update, and the Council seeks advice from the external treasury advisor.
- Our review of the Council's bimonthly Treasury Management Activities Briefing Note dated 07 May 2024 identified that potential issues with cash flow shortage was reported and advice sought from the external treasury advisor to borrow short in the interim then take advantage of long-term rates when base rate falls according to market forecast. The Council took advantage of a short-term borrowing of £10m at a relevant low cost of 5.10% for six months.
- We confirmed that the external fund managers provided valuation reports monthly to ensure potential issues such as breach of counter-party limits were identified and actioned. We reviewed the valuation reports provided for the months of February, March and April 2024 and no issues were reported during this period, including no breaches to counter-party limits.
- In line with good practice, the Council obtains quarterly investment benchmarking information from its external treasury advisor to enable it to identify its relevant position in comparison to Councils average. Whilst considered useful information, it has not been deemed necessary to change the strategy as it continues to meet the Council's needs.
- The required Mid-year and Annual Treasury management performance reports on the Council's treasury activities and arrangements were reported to the Council Assembly in accordance with the CIPFA Treasury Management Code of Practice. We confirmed that the Council had complied with its prudential indicators throughout 2022-23 and our review of the Mid-year Report for 2023-24 confirmed that all treasury management activity was undertaken in compliance with the treasury management strategy 2023-24 from April to September 2023.
- For 2024-25, the strategy is to borrow externally when rates are favourable. The exact timing and amount are determined by the Strategic Director of Resources taking advice from the Council's external treasury advisors. The liability benchmark suggests the Council will require a minimum level of borrowing in 2024-25 of £275m to maintain the minimum investment level of £52m at year-end. This amount includes the Council's external fund managers' portfolio of approximately £25m, and an internally managed cash balance of £40m to maintain sufficient liquidity. Cash outflow has been volatile since the beginning of the financial year, and external advice is to borrow short in the interim and then take advantage of long-term rates when base rate falls. We confirmed that this policy advice has been followed.

### Main areas of concern:

- The Treasury Manual did not include a defined process for reviewing or approving the Treasury Manual.

## 6. SUMMARY OF RECOMMENDATIONS STATUS

Of the 577 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 532 have been fully implemented or superseded.

This result represents an overall implementation rate of 92.2%, which is a marginal decrease compared to the 92.8% reported in September 2024.

Several recommendation target dates for 2022-23 and 2023-24 continue to be revised multiple times, which is preventing a better implementation rate.

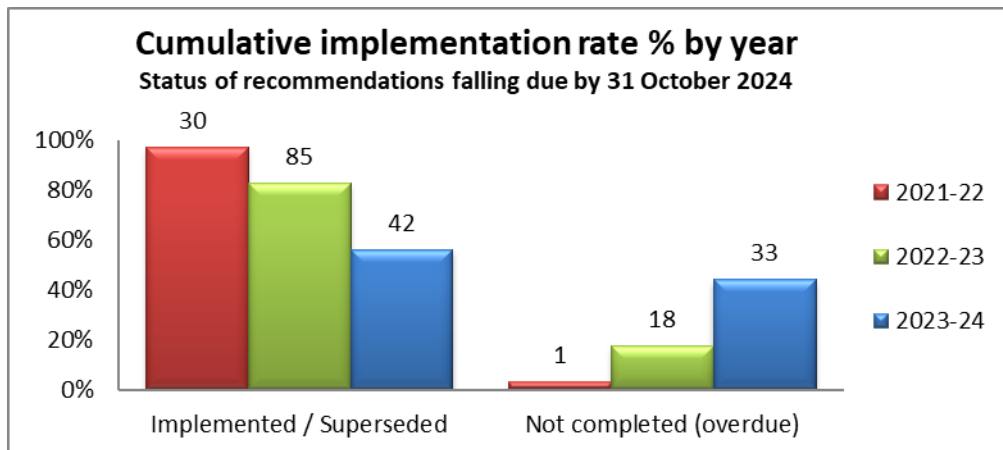
The chart below shows the relative implementation percentages with regards to recommendations raised and due for implementation across the years from 2021-22 to 2023-24.

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 - 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		
<b>Environment, Sustainability and Leisure directorate</b>									
2020-21 South Dock Marina <i>Please refer to latest update in the supplementary report.</i>	1	-	-	-	-	1	-	0%	<del>June 2022</del> <del>November 2022</del> <del>March 2023</del> <del>March 2024</del> <del>August 2024</del> January 2025

## RECOMMENDATION IMPLEMENTATION - 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		
<b>Childrens and Adults Directorate</b>									
2022-23 Public Health - Tobacco Control	1	-	1	-	1	-	-	0%	<del>September 2024</del> December 2024
2022-23 Safeguarding Adults	2	-	-	-	2	-	-	0%	<del>November 2023</del> <del>January 2024</del> <del>March 2024</del> <del>August 2024</del> January 2025
2023-24 Direct Payments	6	1	5	1	5	-	-	0%	<del>July 2024</del> March 2025
2023-24 Legal Fees	2	-	-	-	2	-	-	0%	<del>June 2024</del> December 2024
<b>Environment, Sustainability and Leisure directorate</b>									
2022-23 Cemeteries and Crematoria	4	-	3	-	1	-	-	75%	<del>30 June 2023</del> <del>December 2023</del> <del>March 2024</del> <del>May 2024</del> <del>August 2024</del> December 2024
2022-23 Parking Management and Estates Parking Permits	5	1	1	2	1	-	-	40%	<del>January 2024</del> <del>March 2024</del> <del>August 2024</del> November 2024 & March 2025
2023-24 Tree Management Services	4	-	3	-	1	-	-	75%	<del>July 2024</del> April 2025

Audit Area	Total H & M	Implemented		In progress		Awaiting update/ evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
<b>Governance and Assurance</b>									
2022-23 Member Officer Protocol	2	-	1	-	1	-	-	50%	October 2023 March 2024 June 2024 September 2024 March 2025
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 February 2025
2023-24 Climate Strategy	1	-	1	-	1	-	-	0%	September 2024 May 2025
2023-24 Hospitality and Gifts	3	-	-	-	-	-	3	0%	March 2024 September 2024 December 2024
2023-24 Records Management	3	2	-	1	-	-	-	67%	June 2024 December 2024
2023-24 IR35	8	3	5	3	5	-	-	0%	July 2024 February to May 2025
2023-24 Overtime Review	3	-	2	-	1	-	-	67%	March 2024 June 2024 December 2024
<b>Housing Directorate</b>									
2022-23 TMO - Brenchley Gardens	8	-	-	7	1	-	-	n/a	Internal Audit Report has been superseded - refer to supplementary report
2023-24 Social Housing White Paper	1	-	-	-	1	-	-	0%	July 2024 March 2025
2023-24 TMO - Haddonhall <i>Awaiting evidence to verify implementation</i>	4	-	1	-	-	-	3	25%	March 2024 October 2024

Audit Area	Total H & M	Implemented		In progress		Awaiting update/ evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
<b>Resources Directorate</b>									
2022-23 Insurance	2	-	1	-	1	-	-	50%	<del>December 2022</del> <del>July 2023</del> <del>September 2023</del> <del>January 2024</del> <del>March 2024</del> <del>June 2024</del> <del>August 2024</del> December 2024
2023-24 Asset Hardware Management	3	1	2	1	2	-	-	0%	<del>September 2024</del> November and December 2024
2023-24 Cyber Security	5	1	1	2	1	-	-	40%	<del>August 2024</del> December 2024

# APPENDIX 1

## OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
 <b>Substantial</b>	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.
 <b>Moderate</b>	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.
 <b>Limited</b>	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.
 <b>No</b>	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



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

London Borough of Southwark

For presentation to the Audit, Governance and  
Standards Committee 13 November 2024



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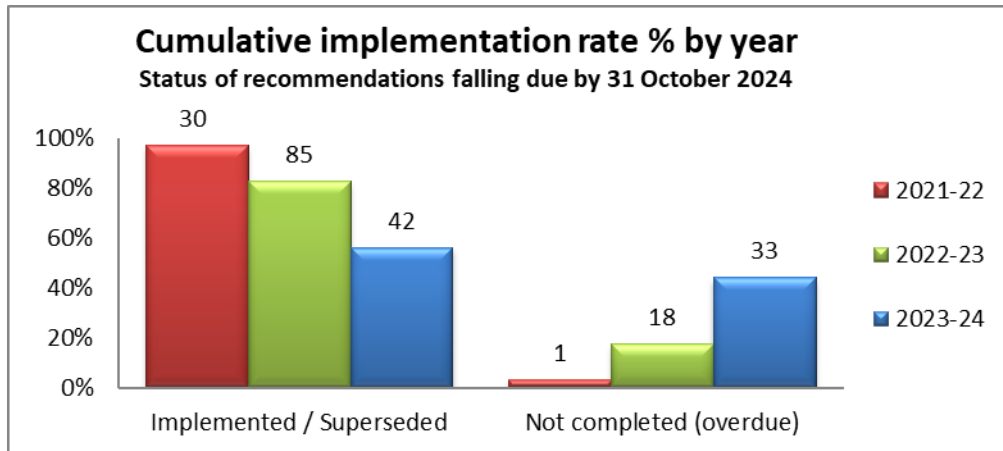
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# INTERNAL AUDIT FOLLOW UP - STATUS UPDATE DETAILS

As stated in our progress report, of the 577 high and medium recommendations relating to 2017-18 to 2023-24 that have fallen due as of 31 October 2024, we have been able to confirm with reference to evidence that 532 have been fully implemented or superseded. This result represents an overall implementation rate of 99.2%.

Several recommendation target dates for 2022-23 and 2023-24 audits continue to be revised multiple times, which is preventing a better implementation rate.

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. For this meeting, we received updates for all recommendations. The table excludes recommendations that have not fallen due. Where the revised date is November 2024, we will follow up implementation again ahead of the February 2025 meeting of the Committee.

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<b>Children's and Adults Directorate</b>		
<b>2022-23 Safeguarding Adults</b>		
<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><del>31 August 2023</del>  <del>January 2024</del>  <del>March 2024</del>  <del>August 2024</del>  January 2025</p>	<p>The Team Manager - Safeguarding and DOLS - Adult Social Care advised us:</p> <p>Quarterly safeguarding audit implementation has been delayed, pending the implementation of revised documentation and pathways for safeguarding referrals to flow between teams; following on from work detailed in Latest known progress sections.</p> <p>Work has continued in the interim to quality assure S42(2) Safeguarding Enquiries that are significantly in excess of the recommended time frames and confirm practice with these cases continues to safeguard the vulnerable individual; including training or mentoring for individual workers if indicated, along with planned revisions to safeguarding training requirements.</p> <p>The anticipated timescales for this are Q4 24/25, with potential for slippage as this work is interdependent with work to develop an online safeguarding adults referral currently underway as part of OPPD Community Flow project.</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><del>31 August 2023</del>  <del>January 2024</del>  <del>March 2024</del>  <del>August 2024</del>  January 2025</p>	<p>The Team Manager - Safeguarding and DOLS - Adult Social Care advised us:</p> <p>As per 1. above, regular engagement with SAM's and operational Team Managers continues to follow up on over-running enquiries and case and/ or worker specific issues in these to ensure these are addressed, pending the implementation of planned changes to documents and referral processes.</p> <p>Ongoing monthly safeguarding audits will be implemented in tandem with these changes, and wider roll out to operational managers of the Power BI safeguarding adults dashboard. As above the anticipated timescales for this are Q4 24/25, with potential for slippage as this work is interdependent with work to develop an online safeguarding</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
		adults referral currently underway as part of OPPD Community Flow project.
<b>2022-23 Public Health - Tobacco Control</b>		
<p>To ensure that the Service continues to reflect the needs of the local population, the Council should update its Joint Strategic Needs Assessment; we have been advised that it aims to do so in early 2024, before the end of the current service contract. Additionally, we understand that the Public Health team is currently working on an Equality Impact Assessment (EQIA) alongside their Tobacco Control Strategy, as the EQIA will inform the strategy to ensure that local population needs continue to be met following any strategic changes. These plans should help to mitigate the risk that there is an unexpected growth in vulnerable groups.</p> <p>To enhance their current insight and marketing work, as well as their approach to compiling and analysing data, the Council should benchmark approaches with other Local Authorities in London.</p> <p>Medium</p>	<p>Tobacco Control Policy Officer, Head of Programme for Healthy Adults, Public Health Consultant, <del>September 2024</del> December 2024</p>	<p>The Tobacco Control Policy Officer advised us:</p> <p>Southwark's Joint Strategic Needs Assessment was updated in early 2024 and presented to the Health and Wellbeing Board. The Tobacco Control Strategy and EQIA will include up-to-date demography of smokers in Southwark and will inform the service re-commissioning. An EQIA is underway and will complement the strategy by providing a more in-depth look at service access amongst priority groups. The EQIA and Strategy draw upon several data sources using the most up to date evidence, data, and insights. Data used for both the Strategy and EQIA have helped to inform service developments in 2024-25. The Strategy and EQIA are currently being finalised and will be taken through relevant governance processes before end of 2024.</p> <p>Insight research has been completed and we are now waiting for the outcomes and final evaluation from the marketing campaign that has been conducted. A South-East London boroughs Tobacco Control group has been created in which best practice is shared and co-working on SEL wide tobacco projects is underway. The borough leads group have developed a joint action plan which includes the goal of developing a SEL wide tobacco control strategic framework, and the shared priority of ensuring equitable access to services for all, acting as a hub of excellence for ICS-level tobacco control.</p>
<b>2023-24 Direct Payments</b>		
<p>Quality reviews with sample checking of client files should be in place to ensure that all required documentation relating to a direct payment set up has been completed and saved on file, in accordance with quality review checklists to ensure the permanent file is comprehensive and well-organised, and retain these for independent review, including:</p>	<p>Head of Service, PB&amp;CF Unit <del>July 2024</del> March 2025</p>	<p>The Head of Service of the PB&amp;CF Unit advised us:</p> <p>A Direct Payment Monitoring and Reconciliation procedure is in place but will be reviewed and updated over 2024/25. This will include trialling a proposed new process for periodical checks on pre-paid card data usage to look at potential misuses of funds. Initially, this will involve looking at a sample of high spend cases and will involve</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<ul style="list-style-type: none"> <li>ID verification check results, and basic personal information</li> <li>FA records / clients contribution assessment</li> <li>Initial care plans / support needs tracked progress and changing needs.</li> <li>carer / personal assistant information</li> <li>valid legal agreements relating to the provision of eligible care services in place.</li> </ul> <p>High</p>		<p>the creation of a review checklist as part of the procedure. The new checklist will include the areas highlighted in 3.2. In terms of ID checks, this is being taken forward as a cross-Adult Social Care initiative in joint working with the Council's with Anti-Fraud Team. Therefore, a revised date has been set for this action to be implemented.</p>
<b>2023-24 Legal Fees</b>		
<p>1. Legal services should develop and document a comprehensive workflow / process map, including routine and complex child protection work types and levels of risk, incorporating the key stages that are undertaken for each case, and aligned to Scheme of Management, and OPM, as appropriate. In addition, the workflow / process map should be included in the OPM.</p>	<p>Head of Safeguarding Team / Head of Law (Communities)</p> <p><del>June 2024</del></p> <p>December 2024</p>	<p>The Head of Safeguarding &amp; Community Services Legal advised us: Discussions have taken place between the Head of Team and AD for Safeguarding and with the Court Proceedings Manager.</p> <p>The Assistant Director advised us:</p> <p>The Audit and Learning Team will be launching a learning hub for social workers to use and access information about court proceedings and pre proceedings and process for making referral for legal advice. It was agreed by all parties that the Legal Planning meetings and Care proceedings Practice Guidance document from 2016 needs to be updated.</p> <p>Legal Services have updated the current document with relevant developments in law and practice. Additional updates have been agreed with the Care Proceedings Case Manager and appropriate internal links to Southwark protocols and documents to be made. The document will then be submitted to the Assistant Director for Safeguarding and Director of ASC and CSC for approval.</p> <p>The Care Proceedings Case Manager will continue to work with Principal social worker to update the guidance and CSC Learning Hub and include the Guidance documents. Any flow charts associated with the Guidance will be addressed as part of Learning Hub as required.</p> <p>We were also advised that throughout 2023 and 2024, Legal Services have worked with clients to review internal procedures on Supervision</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
		Orders and Plans, Section 20 and Transparency project. The team will continue to do so, as and when instructed by Children Services. This is informed by monthly meetings with Head of Service for Safeguarding and any actions from Permanence Taskforce Group and Tracking Panels. This is part of ongoing roles and responsibilities.
<p>2. Operational procedural guidance for the accurate preparation of reliable cost estimates should be in place to help ensure they are meticulously thought-out and, to guide any cost estimate negotiations with Childrens Services.</p> <p>Staff should be reminded that approval must be obtained prior to the appropriate requisite SAP process.</p> <p>The OPM should be updated to include the process and a cross-reference to the need to obtain approval of legal costs and disbursements in line with the Governance &amp; Assurance Scheme of Management.</p> <p>Staff should be reminded that a client care opening email and cost estimate must be sent promptly on opening the file; also, that client care emails should be sent for any subsequent estimates.</p> <p>To strengthen quality monitoring, the file review checklist should include verification to evidence that when taking instructions at the outset of the matter.</p> <p>Fee earner financial performance monitoring mechanisms should be developed per work-type, regularly review financial performance against cost estimates and fee targets and establish appropriate accountability measures.</p>	<p>Head of Safeguarding Team, Head of Law (Communities)</p> <p><del>June 2024</del> March 2025</p>	<p>The Head of Safeguarding &amp; Community Services Legal Team advised us:</p> <p>That Legal Services is currently working with the Interim Business Support Manager to review the current procedure, underpinning cost estimations on files.</p> <p>Having completed the initial review of the cost estimate process, it became apparent that this was a more complex piece of work than envisaged and that a complete review and possible revision of the costs estimate process needs to be undertaken. A Project has now been commissioned and a Business Analyst allocated in September.</p> <p>The commissioned work will enable us to gain a clearer understanding of the <i>actual</i> costs associated with children's services cases, as opposed to totally relying on <i>estimated</i> figures. Additionally, it will provide insight into the current cost calculation process within the back end of our case management system. There may also need to be some future back-end development in collaboration with LN to improve how data is utilised for cost estimation going forward.</p> <p>In summary, this project has the potential to bring broader benefits by enhancing the accuracy of our cost estimation processes overall throughout the whole of Legal Services.</p> <p>In light of the above and the added context of the review of Legal Services structure and business model, the deadline for this action is Spring 2025.</p> <p>Staff have been reminded that a client care opening email and cost estimate must be sent promptly on opening the file; also, that client care emails should be sent for any subsequent estimates.</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<b>Environment, Sustainability and Leisure Directorate</b>		
<b>2020-21 South Dock Marina</b>		
<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><del>June 2022</del></p> <p><del>April 2024</del></p> <p><del>August 2024</del></p> <p>January 2025</p>	<p>The Divisional Business Manager advised us:</p> <p>No new paper records have been created since the new Marina Management Software went live on 01 April 2024. Existing paper records requiring scanning and attaching to records amounts to approx. 1,500 pages. Staff resources are now in place to commence the scanning and saving against each relevant customer's records. Historic and redundant paper records which do not need to be retained will be shredded by the same date.</p>
<b>2022-23 Cemeteries and Crematoria</b>		
<p>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><del>30 September 2023</del></p> <p><del>To be followed up in December 2023</del></p> <p><del>March 2024</del></p> <p><del>June 2024</del></p> <p><del>August 2024</del></p> <p>December 2024</p>	<p>The Bereavement Services Manager advised us:</p> <p>STS has delayed the progression as there were some concerns over the security of the application. They have now had these addressed by the software vendor and the MFA authentication for security is being progressed ready for testing it is anticipated that testing will begin in November 2024 and once if successful a live date for the application will be agreed.</p>
<b>2022-23 - Parking Management and Estates Parking Permits</b>		
<p>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"> <li>Issuing and administering permit applications</li> </ul>	<p>Estate Parking Portfolio Holder,</p> <p><del>December 2023</del></p> <p><del>March 2024</del></p>	<p>The Head of Customer Operations advised us:</p> <p>The project to replace the existing Estate Parking IT application system has gathered pace in recent months. User Acceptance Testing and staff training is well under way. Planned go-live date is w/c 21</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<ul style="list-style-type: none"> <li>• Call centre operations relating to parking.</li> <li>• School crossing patrol officers</li> <li>• Dealing with the early stages of representations and appeals and related correspondence</li> <li>• Debt management and the associated follow up of untraceable vehicles.</li> <li>• 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.</li> </ul> <p>Develop a clear and comprehensive organisational structure chart and ensure this is maintained.</p> <p>High</p>	<p><del>September 2024</del></p> <p>November 2024</p>	<p>October 2024. The new 'Taranto' application provides an improved customer experience, streamlining the application process, whilst ensuring adequate checks and evidential requirements are in place. It is already used successfully by at least 2 other similar London boroughs.</p> <p>Taranto replaces the 'Imperial' parking application, that was the original planned replacement for the current DASH system.</p>
<p>2. 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>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>Develop a policy and procedure on giving refunds.</p> <p>The quality monitoring control procedures should include checking for any duplicate permit applications occurring to ensure these are corrected monthly.</p>	<p>Head of Customer Operations</p> <p><del>September 2023</del></p> <p><del>March 2024</del></p> <p><del>August 2024</del></p> <p>November 2024</p>	<p>The Head of Customer Operations advised us:</p> <p>The service is currently undergoing a robust restructuring drive, which amongst other things is seeking to invest more resources into this work stream and support the implementation of these recommendations.</p> <p>Training has already been offered to more agents, but this is an interim arrangement, until the restructure is completed. Productivity and Conformance Coaches are now constantly monitoring agent calls and will boost efforts once the training on the Taranto system planned for 18 November 2024 takes place.</p> <p>A list of staff has already been identified for Dash, to be refreshed when Taranto goes live in November 2024.</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<p>Obtain a list of staff with Dash system access. Review staff system access to ensure the access permissions are appropriate in accordance with roles and responsibilities.</p> <p>High</p>		
<p>3. 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><del>November 2023</del></p> <p><del>March 2024</del></p> <p><del>August 2024</del></p> <p>March 2025</p>	<p>We have been advised that discussions between Finance (ESL and Housing) and the Parking team have clarified that Finance will take on the responsibility to address the aged debtors and write off reports for anything over 6 years. The aim will be to complete a write off report by March 2025 as part of year end processes.</p>
<b>2023-24 - Tree Management Services</b>		
<p>3.1 The unique tree reference number held on the Confirm system should be reviewed and clearly linked to the case management of individual insurance claims and enquires case management.</p> <p>3.2 Procedures should be established to ensure there is a golden thread of all information captured about tree management, especially where trees may be implicated in a legal or insurance claim.</p> <p>Medium</p>	<p>Trees, and Ecology Services Manager</p> <p><del>July 2024</del></p> <p>April 2025</p>	<p>The Director of Leisure advised us:</p> <p>The recording of insurance claims on the council's tree management system has been limited due to the Council's current administrative capacity and staff vacancies in part due to an ongoing restructuring. The importance of implementing this as soon as possible is recognised as it ensures that the team's outputs are captured accurately in addition to improving outcomes of service users.</p>
<b>Resources Directorate</b>		
<b>2022-23 Insurance</b>		
<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</p>	<p>Corporate Risk and Insurance Manager</p> <p><del>December 2022</del></p> <p><del>June 2023</del></p>	<p>The Corporate Risk and Insurance Manager advised us:</p> <p>Work is ongoing with the Council's claims handlers to get to a point where they have a meaningful report that can be downloaded that does not require any manual intervention from Corporate Risk and Insurance Manager. The reports at the moment aren't pulling through</p>



Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<p>necessary to identify actions to mitigate the incidence of claims in the future.</p> <p>Medium</p>	<p><del>September 2023</del>  <del>December 23</del>  <del>March 2024</del>  <del>June 2024</del>  <del>August 2024</del>  December 2024</p>	<p>the right data so wouldn't be very helpful to anyone else in a department and they don't have capacity to add extra data to make it easily understood.</p> <p>The view is that departments (predominately Housing that this was aimed at) already know what the issues are that generate claims (leaks from above, burst pipes and radiators etc) and the data is unlikely to show any trends in terms of areas because claims come from all over the borough. Complaints data would be more beneficial because there is more of it (not everyone makes a claim) and more immediate (there is often a lag time with people submitting claims which can be quite lengthy).</p> <p>This will continue to be resolved however before the end of the year.</p>
<p><b>2023-24 Asset Hardware Management</b></p>		
<p>1a) STS should review the asset collection process, including the contents of the paperwork correspondence provided by the third-party collection company, to ensure there is a complete audit trail of assets, particularly those which are donated to/ collected by a third-party.</p> <p>b) STS should ensure that all assets scheduled for disposal/data destruction are appropriately flagged as such in the IT Asset Register. Once those assets have been collected by the third-party and are enroute to the data destruction/disposal/recycling phase of their lifespan, this status must also be captured in the IT Asset Register. The line entry of the asset must remain on the IT Asset Register to create a permanent audit trail, and the asset should be marked as "Disposed Of" or something similar. Similarly, if the asset is no longer in use and has not been marked for disposal/recycling, this status should also be recorded in the IT Asset Register.</p> <p>c) A review should be initiated to identify why so many laptops are in the "Assessing" phase and confirm if some of these assets are ready for re-distribution to new starters, as opposed to ordering brand new kit. The "Assessing" status of a laptop should be</p>	<p>Head of Operations, STS</p> <p><del>September 2024</del>  December 2024</p>	<p>The Cyber Security Adviser advised us:</p> <p>a and e) The new disposal partner (Good Things Foundation) has just received the first batch of items to be disposed of. We are awaiting their certification. On receipt of the certificates, the Asset Management system will be updated.</p> <p>b and c) Processes are being updated.</p> <p>d) This has been implemented.</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<p>considered only a temporary phase, and faulty assets that remain in warranty should be pursued in a timely manner once their fault has been identified. It may be an option to allocate this responsibility to a particular individual in the IT team to ensure consistency of process.</p> <p>d) STS should ensure that the IT Asset Register includes both the individual asset tag allocated by the Councils, and the asset's serial number, so there is a referenceable marker that can be monitored throughout the asset's lifespan. Even if one tag becomes lost, or the data unreadable over time, there is always a secondary option to ensure identification of the asset.</p> <p>e) In order to maintain a complete audit trail once the asset leaves the Council, any corresponding paperwork provided by third party disposal companies must be aligned to Council tracking methods or contain referenceable asset tags that can be validated between both parties. STS should review the contents of paperwork/ invoices provided when assets are collected, and where necessary initiate discussions with the third-party disposal company to identify a solution to improve visibility of assets once they are taken for disposal/recycling etc and the Asset Register is not tracking their status.</p> <p>High</p>		
<p>2 a) The directives listed in the 'LBS &amp; STS Lost/Stolen Devices Policy' and 'IT Hardware Asset Management Policy' regarding Line Managers' responsibilities for the collection of hardware assets from leavers should be reworded to specify a defined timeframe that assets must be returned to IT following a leaver's final day at work (eg, within 3 days).</p> <p>b) For permanent home workers, it should be stipulated that the employee must physically hand their assets over to their Line Manager on their final day of employment, however, where this is not feasible, a process should be developed to aid the return of assets via a courier collection from their home address. Line</p>	<p>a, b, c &amp; d) Service Delivery Manager, Southwark - <del>September 2024</del> November &amp; December 2024</p> <p>e) - Head of Operations, STS <del>September 2024</del> December 2024</p>	<p>The Chief Digital &amp; Technology Officer advised us:</p> <p>a) Southwark has requested from STS Child Ticket associated with Parent Leaver Tickets. The child ticket will be used to track and account for the HW return to IT. Managers will receive a ticket reference with a notification requesting that the HW is returned within timeframe. Southwark are still waiting for this to be implemented and tested before it can be embedded into the process. Southwark have appointed a dedicated Asset Manager Resource to provide assistance with new processes aligning improvements to manage the Asset Management Lifecycle with STS.</p> <p>b) Southwark does not have any permanent home users. As part of the Starters and Leavers Process Southwark are exploring drop off and</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<p>Managers should make all efforts to reclaim assets that have not been returned within the agreed timeframe.</p> <p>c) Policies should also be updated with notification that should leavers fail to return Council-owned assets, financial recompense maybe extracted from their final salary payment to cover the loss. This should also be included in the Acceptable Use Policy, or similar policy which would be provided to users as part of their new starter induction process.</p> <p>d) Once these relevant policies have been amended, Line Managers should be provided with a copy of/link to their location, and it should be reinforced that it is their responsibility to ensure that assets are returned to IT when one of their employees leaves the Council.</p> <p>e) Service Request tickets act as an audit trail and must not be closed until either the asset is returned, or a decision is taken by someone in authority (ie, Senior Management) to mark it as Lost/Stolen. If this is the case, the Service Request ticket must be updated with this information to close the audit trail.</p> <p>Medium</p>		<p>pickup options. Southwark is improving the process where laptops are returned to the Tooley Street head office for remote workers. Managers are currently advised to book the return of IT equipment issued to home users unable to attend the office.</p> <p>c) Southwark is unable to extract the cost of hardware from the final salary payment for leavers to cover the loss of equipment not returned. Southwark has requested Department Cost Codes as part of the New Starter forms which can be used in the event hardware is not returned.</p> <p>d) Southwark will inform Managers on the AUP policy amendments with clear sign posting to document location. This will also be added to the Starter and Leavers Forms. We were advised by the Cyber Security Adviser:</p> <p>The Cyber Security Adviser advised us:</p> <p>e) It has been decided to implement a process whereby a separate ticket is automatically raised for the return of IT equipment. This allows the original leaver request to be completed without losing an audit trail of unreturned equipment. This has been developed and is currently in testing.</p>
<p>3 a) STS should define reasonable parameters by which an investigation into laptops that have not logged onto the network for a prolonged period of time is warranted. Once those parameters have been defined, STS should extract a report of all laptop users that have not logged onto the network and perform an investigation into each case. If the user is on maternity leave, long-term sickness, or under suspension, this can be easily validated by Human Resources or the users' line managers.</p> <p>b) The Hardware Asset Register should be updated should any assets be ultimately identified as lost or stolen.</p> <p>c) The Hardware Asset Management Policy (plus policies provided to new employees such as an Acceptable Use Policy) should be updated with a clear directive to all users that they must log onto the network at least once a month, irrespective of their</p>	<p>a &amp; b) Head of Operations, STS September 2024</p> <p>c) Service Delivery Manager, Southwark <del>September 2024</del> December 2024</p>	<p>a&amp; b) We have confirmed with reference to evidence that these recommendations have been implemented.</p> <p>c) The Chief Digital &amp; Technology Officer advised us:</p> <p>Southwark will confirm if this is viable with HR, as it may not be possible to request that all users on Long Term Leave login at least once each month. However, it might be possible for STS to put laptops in an Active Directory OU that identifies and manages Laptops allocated to users on Long Term Leave which Southwark will explore with STS. With exception to standard configuration policies.</p>

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<p>employment status (eg; maternity, long-term sickness - although the constraints of employees who are under suspension must be reviewed on a case by case basis, as it may be prudent that employees under suspension have their AD accounts disabled, which would prevent them from logging onto the network.)</p> <p>Medium</p>		
<p><b>2023-24 Cyber Security</b></p>		
<p>1a) STS should conduct a thorough review of all domain administrator accounts to determine the necessity of each account. Ensure that only personnel who require administrator access for their job functions are granted such privileges.</p> <p>b) Apply the principle of least privilege by ensuring that users have only the access necessary to perform their duties. Where possible, downgrade excessive privileges and consider using role-based access control (RBAC) to manage permissions more effectively.</p> <p>c) Establish a process to review domain administrator accounts at least bi-annually to ensure that access rights remain aligned with job requirements and to identify any dormant or unnecessary accounts for removal.</p> <p>d) Update the incident response plan to include specific procedures for responding to incidents involving misuse or compromise of domain administrator accounts.</p> <p>High</p>	<p>Chief Security Officer, Shared Technology Services</p> <p><del>November 2024</del></p> <p>TBA</p>	<p>a to c) We have confirmed with reference to evidence that these recommendations have been implemented.</p> <p>d) The Cyber Security Adviser advised us:</p> <p>IR team contacted with directions to update IR plan and run an IR scenario. Date to be confirmed.</p>
<p>3 a) The Council should determine an appropriate percentage of staff that should complete the annual cyber security training (best practice would be 98%).</p> <p>b) Arrangements should be put in place for ensuring that the cyber security training is completed by all members of staff, as required, which could include:</p>	<p>Chief Security Officer, Shared Technology Services</p> <p>September 2024</p>	<p>The Cyber Security Adviser advised us:</p> <p>a) Mimecast training has been rolled out as of September 2024. 3 videos selected as required training (note - management have made cyber training mandatory). Initial uptake -1/3 of council has completed initial training. Goal is to ensure all staff who use technology will complete the training.</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<ul style="list-style-type: none"> <li>Identifying specific staff members who are required to complete the training and working with their line managers to ensure completion.</li> <li>Ensuring regular, top-down communication to increase awareness of the training.</li> <li>Requiring completion of the e-learning before issuing new devices to individuals or as part of performance and progression reviews.</li> </ul> <p>c) Initiate a data cleansing exercise to correct organisational structure anomalies and remove or consolidate duplicate accounts. This will provide a more accurate view of the compliance status.</p> <p>d) Develop enhanced reporting mechanisms that can segregate data between LBS staff and agency staff, providing clear and distinct compliance figures for each group.</p> <p>e) Improve monitoring and reporting mechanisms to ensure that all devices are consistently and effectively protected by the AV solution.</p> <p>High</p>		<p>b) Mimecast linked to Active Directory, providing ability to track completion. On-going communication with business leaders on-going to drive awareness of training. Current focus: passwords (in coordination with new password policy and password refresh project), phishing, data protection.</p> <p>c) Work on-going between Southwark and STS to clean up Active Directory. Future initiative to review and update JML process will assist with this.</p> <p>d) Mimecast linked to Active Directory, providing ability to track completion by user groups. Working on identifying staff vs workers. Working with council team on tracking training performance.</p> <p>e) Defender for Endpoint provides continual monitoring for this. Devices that are seen to be inactive are investigated.</p> <p>The agreed actions have been substantively implemented. We have requested that evidence of implementation is provided before we can sign off as complete.</p>
<p>5 a) The Council should develop and implement a comprehensive cyber security policy to clearly outline the Council's approach to managing and protecting information assets from cyber threats.</p> <p>b) The policy should include, but not be limited to, the following elements:</p> <ul style="list-style-type: none"> <li>Roles and responsibilities for cyber security within the Council and STS</li> <li>User access controls and management</li> <li>Data protection and privacy measures.</li> <li>Incident response and reporting procedures</li> <li>Third party supplier relationships</li> <li>Regular review and updating of security measures</li> <li>Training and awareness programs for all staff members.</li> </ul>	<p>Chief Security Officer, Shared Technology</p> <p><del>August 2024</del></p> <p>December 2024</p>	<p>The Cyber Security Adviser advised us:</p> <p>The Council has written and published 4 new policies, which are published on the Intranet:</p> <ul style="list-style-type: none"> <li>Acceptable Use Policy</li> <li>Password Policy</li> <li>Software Application and SaaS Policy</li> <li>Privileged Access Management Policy</li> </ul> <p>STS and partner councils (Brent, Lewisham) are working on:</p> <ul style="list-style-type: none"> <li>Cyber Security Policy</li> <li>Data Management Policy</li> <li>Applications Security Policy</li> <li>Vendor Management Policy</li> <li>Lost or Stolen Equipment policy</li> <li>Remote Access Policy</li> <li>Security Awareness &amp; Training Policy</li> </ul>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<p>c) The policy should be communicated to all members of the Council and be readily accessible.</p> <p>Medium</p>		<ul style="list-style-type: none"> <li>• Information Asset Owner policy</li> <li>• Network Security Policy</li> <li>• Privilege Access Management</li> <li>• Software Asset Management</li> </ul>
<b>Governance and Assurance Directorate</b>		
<b>2022-23 Member Officer Protocol</b>		
<p>Review the Member Officer protocol periodically with any updates to be noted on the front of the procedure, in order for Officers and Members to be aware of the changes more easily.</p> <p>The relations policy in the protocol should mention the point of contact if an officer or member wants to address any concerns, such as bullying or inappropriate relations.</p> <p>Medium</p>	<p>Assistant Director Governance and Assurance - Doreen Forrester-Brown</p> <p><del>September 2024</del></p> <p>March 2025</p>	<p>The Assistant Director Governance and Assurance advised us: Members and Officers are currently being consulted on an extensively revised Member Officer Protocol which responds to the recommendations in the audit and changes to the Council's Member Code of Conduct. The revised Protocol was considered by CMT in September 2024 and is now being considered by Members. The revised Protocol will be submitted to AG&amp;S Committee in February 2025 and presented to Council Assembly for approval in March 2025.</p>
<b>2022-23 Supplier Resilience</b>		
<p>Ensure all contracts include Key Performance Indicators to measure the performance of the supplier.</p> <p>Ensure all contract managers regularly monitor performance of the supplier in line with the contract.</p> <p>Medium</p>	<p>Chief Officers / CMT</p> <p>Strategic Director of Finance and Assistance Chief Executive - Governance and Assurance</p> <p><del>August 2023</del></p> <p><del>September 2023</del></p> <p>January 2024</p> <p>March 2024</p> <p>October 2024</p> <p>February 2025</p>	<p>A refreshed approach for Procurement in response to new legislation is in development. The Procurement Act has recently been delayed by Government to February 2025.</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<b>2023-24 - Hospitality and Gifts</b>		
<p>We recommend the environment and leisure log is utilised across all areas detailing all gifts even those that do not breach the threshold.</p> <p>Medium</p>	<p>Director of People and Organisational Development</p> <p><del>March 2024</del></p> <p><del>September 2024</del></p> <p>December 2024</p>	<p>The Director of People and Organisational Development advised us: Executive Assistants are responsible for maintaining each department's register of hospitality and gifts. The HR team is working with the Head of the Chief Executive's Office and Executive Support to implement a revised template register, which will be applied consistently by all departments.</p>
<p>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.</p> <p>Medium</p>	<p>Director of People and Organisational Development</p> <p><del>March 2024</del></p> <p><del>September 2024</del></p> <p>December 2024</p>	<p>The Director of People and Organisational Development advised us: The responsibility for the Council's induction process has been transferred to the Organisational Development team, which is undertaking a comprehensive review of the approach to induction, including the information that is shared with new starters during this process. This will include addressing the audit recommendation regarding the declaration of interest process.</p>
<b>2023-24 Records Management</b>		
<p>To ensure that an audit trail is retained, there should be a central log to record by who and when the data was deleted for electronic files. Each record owner may have their own central log to manage, or the status of a record in the information asset register could be included and updated by record owners when they are deleted or moved.</p> <p>High</p>	<p>Corporate Information Governance Officer</p> <p><del>June 2024</del></p> <p>December 2024</p>	<p>The Corporate Information Governance Officer advised us: All Information Asset Registers have been transferred onto SharePoint so that they are easily accessible by all asset owners. The registers have been updated to include guidance notes, links to the retention schedule and named asset owners. An additional column to record the deletion of electronic records will be added to each register.</p>

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<b>2023-24 IR35</b>		
<p>1. Review the procedure notes on off-payroll workers and IR35 regulations to ensure it documents the arrangements at the Council, clarifies responsibilities and ensures CEST assessments are completed appropriately. The procedures should include:</p> <ul style="list-style-type: none"> <li>• Documented responsibilities</li> <li>• Training requirements</li> <li>• Record-keeping expectations</li> <li>• Distinction between PSCs and self-employed individuals</li> <li>• Clarification on how individuals operating via their PSC are added to payroll as off-payroll workers. This should include, where appropriate, how to account for VAT if this is charged on the supplier invoice.</li> <li>• An outline of the process for the steps to be undertaken following the completion of the CEST tool. This should outline the individuals or teams responsible for each stage.</li> </ul> <p>Once reviewed and implemented, the policy / procedure notes should be published and communicated across the Council.</p> <p>High</p>	<p>Contract Specialist March 2024</p> <p>Head of Resourcing July 2024</p> <p>May 2025</p>	<p>The Director of People and Organisational Development advised us of the revised plan for addressing this recommendation:</p> <ul style="list-style-type: none"> <li>• review existing procedures to identify any gaps (January 2025)</li> <li>• consult with stakeholders, including colleagues in Procurement and Finance, to ensure procedures address all relevant requirements and reflect best practice (February 2025)</li> <li>• finalise updated procedures (March 2025)</li> <li>• develop communication plan (March 2025)</li> <li>• publish updated procedures (March 2025)</li> <li>• conduct briefing sessions and online workshops (May 2025)</li> </ul>
<p>2. Maintain a detailed record of all off-payroll workers that can be used centrally for monitoring.</p> <p>Communicate the new arrangements to all Hiring Managers</p> <p>Ensure a clear process is in place for any inconclusive determinations - e.g. identifying the individual responsible for making the final decisions and any training requirements this individual must complete prior to being considered the responsible person</p> <p>High</p>	<p>Head of Resourcing / Contract Specialist July 2024</p> <p>March 2025</p>	<p>The Director of People and Organisational Development advised us of the revised plan for addressing this recommendation:</p> <ul style="list-style-type: none"> <li>• create a centralised database (February 2025)</li> <li>• establish process for inconclusive determinations, including assignment of responsibility for a final decision (February 2025)</li> <li>• develop training and communication materials (March 2025)</li> </ul>



Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<p>3 Ensure there is a clear process in place for documenting who will issue the SDS and who it needs to be issued to</p> <p>Ensure there are documented timelines by which SDSs should be issued (prior to the start of a contract)</p> <p>High</p>	<p>Contract Specialist</p> <p><del>July 2024</del></p> <p>March 2025</p>	<p>The Director of People and Organisational Development advised us of the revised plan for addressing this recommendation:</p> <ul style="list-style-type: none"> <li>map out the SDS process (January 2025)</li> <li>create a tracking tool (February 2025)</li> <li>implement an audit process to periodically monitor compliance (March 2025)</li> </ul>
<p>4. Introduce a dispute management process / guidance</p> <p>Ensure there is a documented appeals process for both internal stakeholders and PSCs / agencies</p> <p>Medium</p>	<p>Contract Specialist</p> <p><del>July 2024</del></p> <p>March 2025</p>	<p>The Director of People and Organisational Development advised us of the revised plan for addressing this recommendation:</p> <ul style="list-style-type: none"> <li>develop dispute resolution guidance (February 2025)</li> <li>establish appeal procedure (March 2025)</li> </ul>
<p>5. Establish arrangements to monitor the employment status of existing workers (and enforce them - for example by seeking evidence that any changes in the status of existing workers have resulted in a new assessment)</p> <p>Ensure all SDSs are reviewed at least annually to ensure no changes have happened to the services provided</p> <p>Review all PSCs and contracts annually.</p> <p>Medium</p>	<p>Head of Resourcing</p> <p><del>June 2024</del></p> <p>April 2025</p>	<p>The Director of People and Organisational Development advised us of the revised plan for addressing this recommendation:</p> <ul style="list-style-type: none"> <li>establish a review schedule: (March 2025)</li> <li>complete the first annual review (April 2025)</li> </ul>
<p>6. Ensure off-payroll working compliance is regularly reported to Senior Leadership, to ensure there is an appropriate level of oversight over off-payroll working</p> <p>Medium</p>	<p>Director of People and Organisational Development</p> <p><del>July 2024</del></p> <p>June 2025</p>	<p>The Director of People and Organisational Development advised us that this will be implemented following the first annual review (see response to recommendation 5)</p>
<p>7. Conduct a training needs analysis and implement a training programme to help Hiring managers understand the requirements of and comply with off-payroll working and the Council's procedures. Training should also be provided to Procurement so</p>	<p>Contract Specialist</p> <p><del>July 2024</del></p>	<p>The Director of People and Organisational Development advised us of the revised plan for addressing this recommendation:</p> <ul style="list-style-type: none"> <li>training needs analysis (January 2025)</li> <li>development of training materials (April 2025)</li> </ul>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<p>they can provide advice to Hiring Managers where needed. HR Managers should also be trained for when a contractor falls inside the IR35 and needs to be added as an employee and needs to provide relevant advice to Hiring Managers.</p> <p>Medium</p>	<p>May 2025</p>	<ul style="list-style-type: none"> <li>training to commence (May 2025)</li> </ul>
<p><b>2023-24 Climate Strategy</b></p>		
<p>1. The Council should draft and approve an Accommodation Strategy.</p> <p>2. The Council should consider implementing a joint Corporate Facilities Estates Model incorporating all buildings under Council control across the directorates to increase the Council's ability to reduce its own emissions. If completed, this should consider the capacity of the Corporate Facilities Team and its ability to monitor both day to day compliance and an ongoing program of capital works.</p> <p>3. The Council should ensure information is generated and maintained on the reduction of emissions achieved through capital projects and shared at the Director Steering Group and incorporated within the annual report submitted to Cabinet.</p> <p>Medium</p>	<p>Director of People and Organisational Development - Ben Plant</p> <p><del>September 2024</del></p> <p>May 2025</p>	<p>The Director of People and Organisational Development advised us:</p> <p><b>Recommendations 1 &amp; 2</b></p> <p>In June 2024, the Corporate Change Board agreed to establish a Corporate Real Estate (CRE) workstream as part of the Future Southwark transformation programme. This workstream is supported by a dedicated Programme Manager.</p> <p>There are four elements to the CRE workstream:</p> <ul style="list-style-type: none"> <li>development of a new CRE model, which will address recommendation 2 (November 2024 with a phased approach to implementation)</li> <li>development of a strategic asset management plan, which will address recommendation 1 (February 2024)</li> <li>compliance, which will contribute to addressing recommendation 2 (May 2025)</li> <li>use of data, which will indirectly contribute to addressing both recommendations 1 and 2.</li> </ul> <p>Delivery is aligned to the council's climate change strategy and governed by the CRE Oversight Group, Corporate Change Board, and Directors' Champions Group.</p> <p><b>Recommendation 3</b></p> <p>Wherever possible, the carbon saving to be achieved by projects funded from the council's Climate Capital Fund should be stated during the application process. This is also a requirement of projects delivered through the Green Buildings Fund, where contributions are</p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
		<p>collected from developers at a set cost per tonne of carbon and must be spent at a rate to match.</p> <p>The annual report presented to Cabinet in September 2024 included updated emissions data on council-generated and borough-wide emissions, as per the recommendation.</p>
Housing Directorate		
<b>2022-23 TMO - Brenchley Gardens - INTERNAL AUDIT REPORT SUPERSEDED</b>		
<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</p>	<p>Estate Manager / Housing Assistant / BGMA Chair</p> <p><del>December 2023</del></p> <p><del>March 2024</del></p> <p><del>September 2024</del></p> <p>N/A</p>	<p>The TMI advised us:</p> <p>Brenchley Gardens (BG) performance continues to fall short of duties in its management agreement including addressing audit recommendations. Issues on with BG failure to perform have been presented to legal services (M Micklewright) and RI Manager Nat Stevens, the conclusion is enforcement action in accordance with chapter 1, clause 19 by virtue of the service a ‘supervision notice’ to take control of BG operations etc. is the proposed course of action.</p> <p><b><i>This is reported to the AGSC for completeness but will be removed in the next follow-up status report.</i></b></p>

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
<p>Council and the TMO and linked to the procurement of the works if not under an ongoing contract. High</p> <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. 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. 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. 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. 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. Medium</p>		
<b>2023-24 TMO - Haddonhall</b>		
<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</p> <p>Ongoing</p> <p>Awaiting evidence</p>	<p>We were advised that these have been completed therefore we have requested that evidence of implementation is provided before we can sign off as complete.</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 <del>March 2024</del> September 2024 Awaiting evidence</p>	<p>We were advised that these have been completed therefore we have requested that evidence of implementation is provided before we can sign off as complete.</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 <del>June 2024</del> September 2024 Awaiting evidence</p>	<p>We were advised that these have been completed therefore we have requested that evidence of implementation is provided before we can sign off as complete.</p>

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<b>Meeting Name:</b>	Audit, governance and standards committee
<b>Date:</b>	13 November 2024
<b>Report title:</b>	Progress Report on the audit of the Statement of Accounts 2023/24
<b>Ward(s) or groups affected:</b>	All
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	N/A
<b>From:</b>	Strategic Director of Resources

### **RECOMMENDATIONS**

1. That the audit, governance and standards committee note the progress report on the audit of the statement of accounts 2023-24, as attached at Appendix A.
2. That the audit, governance and standards committee note the timeline for approval of the 2023-24 audited statement of accounts.

### **Background Information**

3. The purpose of the report at Appendix A is to provide an update on the audit of the 2023-24 financial statements and the value for money audit, for those charged with governance.

### **Issues for Consideration**

4. Both audits have substantially progressed and to date the audit of the financial statements has not resulted in any significant changes to the statement of accounts which were presented to the audit, governance and standards committee at its meeting on 5 September 2024.
5. The audits are expected to be completed well ahead of the next meeting of the audit, governance and standards committee on 3 February 2025. Therefore, it is intended to present the final version of the audited accounts along with audit findings reports for the council and pension fund to the February meeting for approval. This will enable the council to publish the audited accounts ahead of the statutory deadline for publication of 2023-24 accounts i.e. 28 February 2025.
6. In order to support the committee in its task of reviewing and approving the statement of accounts, officers arranged two training sessions on local authority financial accounts for the committee members in October 2024.

**Policy framework implications**

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

**Community impact statement**

8. 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**

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

**Health impact statement**

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

**Climate change implications**

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

**Resource implications**

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

**Financial implications**

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

**Legal Implications**

14. 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 thereunder.

**Consultation**

15. There has been no consultation on this report.

**SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

16. None required.



**BACKGROUND DOCUMENTS**

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

**APPENDICES**

<b>No.</b>	<b>Title</b>
Appendix A	Audit progress update for the year ending 31 March 2024

**AUDIT TRAIL**

<b>Lead Officer</b>	Clive Palfreyman, Strategic Director of Finance	
<b>Report Author</b>	Fleur Nieboer, Phillip Kent KPMG LLP, Amarjit Uppal	
<b>Version</b>	Final	
<b>Dated</b>	28 October 2024	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Assistant Chief Executive Governance & Assurance	N/A	N/A
Strategic Director of Resources	N/A	N/A
<b>Cabinet Member</b>	N/A	N/A
<b>Date final report sent to Constitutional Team</b>	29 October 2024	

# Southwark Council and Southwark Pension Fund

Report to the Audit, Governance and Standards  
Committee

External audit progress update for the year ending 31  
March 2024

13 November 2024

# Introduction

## To the Audit, Governance and Standards Committee of Southwark Council

We are pleased to have the opportunity to meet with you on 13 November 2024 to discuss our progress to date in respect of the audit of the financial statements of Southwark Council and Southwark Pension Fund for the year ending 31 March 2024.

Our work is underway and so we have prepared this report to summarise our progress to date. We continue to anticipate issuing our signed audit opinions prior to the end of 2024. We have also set out in this report the progress made in finalising our Value for Money risk assessment, and the proposed follow-up actions in respect of the significant Value for Money risks identified.

We are in the process of completing our audits and this report sets out the work we need to complete prior to being able to issue our opinions. It is our intention to issue an Audit Findings Report summarising the outcome of our work at the 3 February 2025 Audit, Governance and Standards Committee, and we intend to issue our opinions shortly after the Committee reviews and notes our findings.

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.

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.



# Financial statements



# Our audit findings to date: Council



## Executive summary

Our audit is well progressed. We have commenced work in all areas of our audit, with several areas now complete. We have reviewed the financial statements and have provided feedback to the Council.

We are currently reviewing the evidence provided for our sample requests, with the majority of samples reviewed and further queries raised. Full details are set out in the appendix.

The main areas outstanding are in relation to valuations and journals. We are currently awaiting feedback from our specialist teams to direct the remaining work over valuations. In respect of journal entries, we are revising our approach to ensure our work is tailored to the way the Council works.

There are no changes in our audit plan or approach compared to our last progress update.

## Audit adjustments and control deficiencies

**Audit adjustments:** At this stage we have not identified any matters to report however various updates have been made to the financial statements following our review.

**Control deficiencies:** We have identified an opportunity to strengthen the way the Council reviews and approves pension scheme assumptions; and recommended changes to user account access to strengthen the integrity of the Council's SAP system is managed. We will provide further detail, and detail of any other findings, in our final audit findings report.

## Progress against our audit plan

### Significant audit risks

Valuation of land and buildings

### Our findings to date

To date, our specialist team has identified areas for further investigation in respect of the valuation of council dwellings and are making continued enquiries of Cluttons, but have no matters identified to date with other categories of land and building assets. Once the specialist's work is complete, we will perform any follow-up procedures they ask us to undertake.

Management override of controls

Our work in relation to significant unusual transactions has not identified any exceptions for us to report to the Committee. Our work on estimates and journal entries remains underway with no issues to report to date. Our work on related parties has not yet commenced.

Valuation of post retirement benefit obligations

We are satisfied that the assumptions and judgements used in assessing the pension obligations are balanced as compared to our assumptions developed by our actuarial team. We are satisfied with the way the obligations were calculated.

Fraud risk over HRA expenditure recognition

Subject to final review, we have not identified any instances of HRA expenditure being inappropriately under-recognised during the financial year.

### Other audit risks

Valuation of investment property

Our specialist team has identified areas for further investigation and are making continued enquiries of Cluttons. Once the specialist's work is complete, we will perform the targeted follow-up procedures they ask us to undertake.

Accuracy and valuation of PFI liabilities

Our specialist team has reviewed the PFI models and has raised areas for further investigation with management, however to date we have not identified any matters affecting the calculation of the figures used in the financial statements.

Presentation of IFRS 16 pre-transition disclosures

The Council has not calculated any quantitative impacts of IFRS 16, which is a permitted outcome for the pre-transition disclosures. We will consider this as part of our 2024-25 external audit.

# Our audit findings to date: Pension Fund



## Executive summary

Our audit is well progressed. We have commenced work in all areas of our audit. We will share our initial feedback on the financial statements by early November to the Pension Fund.

In many areas, we are currently reviewing the evidence provided, with the majority of work progressed and further queries raised. Full details are set out in the appendix.

The main areas outstanding are in relation to journals, we are performing screening of journal listing to identify high risk criteria's that aligns to the way pension fund works.

There are no changes in our audit plan or approach compared to our audit plan.

## Audit adjustments and control deficiencies

**Audit adjustments:** At this stage we have not identified any matters to report

**Control deficiencies:** We do not currently have any matters to raise.

### Progress against our audit plan

#### Significant audit risks

Valuation of directly held investment property

Management override of controls

#### Other audit risks

Valuation of Level 1, 2 and 3 investments

#### Our findings to date

Our specialist team has completed the majority of their work on the valuation of directly held investment property. Once the specialist's report is finalised, we will perform any required targeted follow-up procedures, where needed.

Our work in relation to related parties and significant unusual transactions has not identified any exceptions for us to report to the Committee. Our work on journal entries remains underway with no issues to report to date.

#### Our findings to date

Our work in relation to valuation of investments for Level 3 assets is in progress. We await a small number of confirmations from fund managers in order to complete our audit procedures over retrospective review.

Our specialist team has completed their testing over the valuation of equities (Level 1 and 2) assets and have not identified any matters to report.

Our work in relation to valuation of unitised insurance linked assets (Level 2) is in progress.

# Value for money



# Value for money



**Our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.**

Our responsibility is to conclude on significant weaknesses in value for money arrangements.

The main output is a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

## Risk assessment processes

Our responsibility is to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

## Reporting

Our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

### Financial sustainability

*How the body manages its resources to ensure it can continue to deliver its services.*

### Improving economy, efficiency and effectiveness

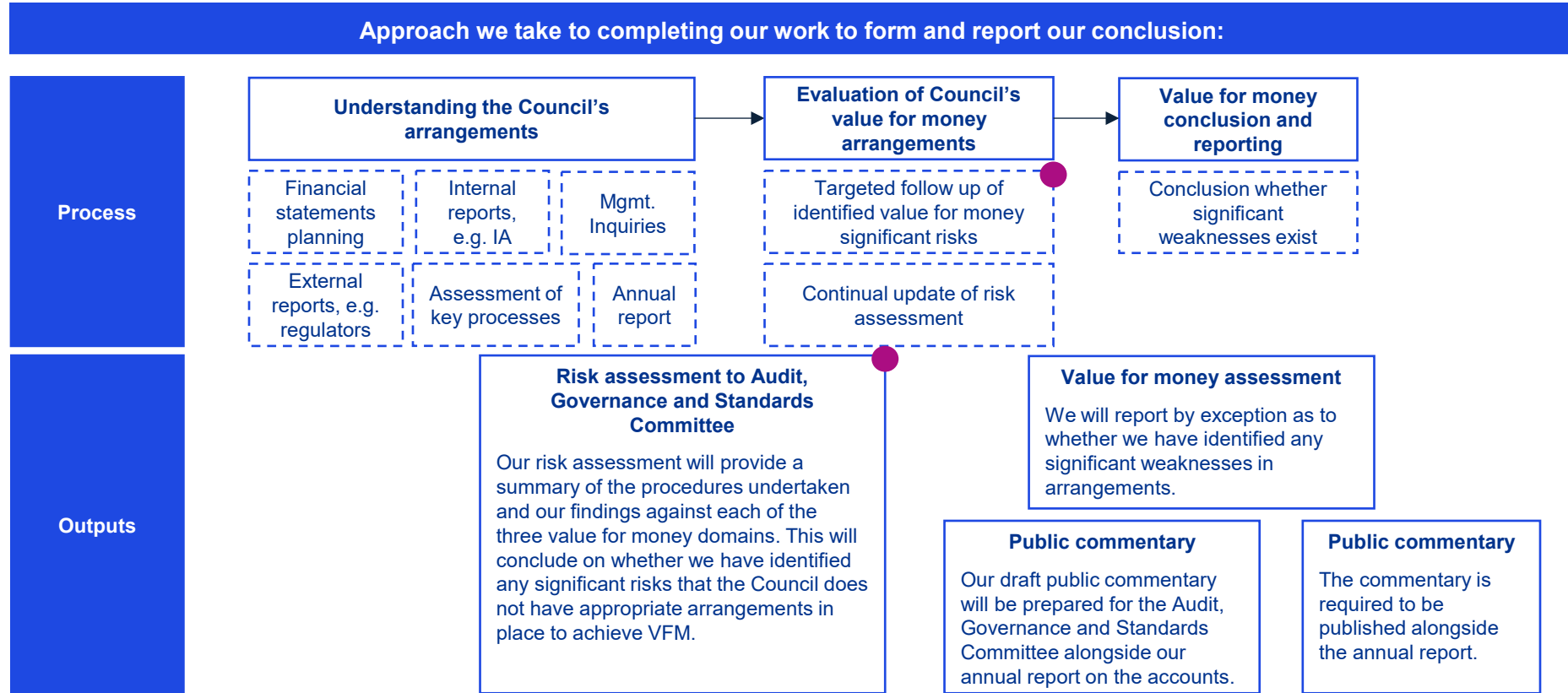
*How the body uses information about its costs and performance to improve the way it manages and delivers its services.*

### Governance

*How the body ensures that it makes informed decisions and properly manages its risks.*



# Value for money



● Our work presently at this stage in our process.

# Value for money

**We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.**

In discharging these responsibilities we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor’s Annual Report, which is required to be published on your website alongside your annual report and accounts.

## Commentary on arrangements

As set out in our methodology we have evaluated the design of controls in place for a number of the Council’s systems, reviewed reports from external organisations and internal audit and performed inquiries of management.

Based on these procedures the table to the right summarises our assessment of whether there is a significant risk that appropriate arrangements are not in place to achieve value for money at the Council for each of the relevant domains.

## Response to risks of significant weaknesses in arrangements to secure value for money

As noted on the right, we have identified three risks of a significant weakness in the Council’s arrangements to secure value for money in relation to two domains. We have set out our response to those risks on pages 13 – 15.

Within our Auditor’s Annual Report we will set out our findings from our work to respond to that risk, as well as recommendations (if any) we wish to raise.

## Summary of findings to date

Domain	Risk assessment
Financial sustainability	One significant risk identified
Governance	Two significant risks identified
Improving economy, efficiency and effectiveness	No significant risks identified

## Performance improvement observations

As part of our work we may identify Performance Improvement Observations which are suggestions for improvement but not responses to identified significant weaknesses. Any we identify will be set out within our findings report to the Audit, Governance and Standards Committee.



# Value for money



## Financial sustainability

### In assessing whether there is a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

### Summary of risk assessment

Our risk assessment procedures identified that the Council has procedures in place to set budgets, identify savings plans, monitor financial performance, and identify and manage risks to financial sustainability.

The Council has a large balance of total general fund reserves, including a £32m increase to the earmarked general fund balance during 2023/24 (of which £17m relates to a future project to replace the Council's finance system). However, the Council has well-documented financial pressures in relation to the Housing Revenue Account caused by the impact of inflation, interest rates, real-terms rent reductions imposed by Central Government, and obligations to improve the safety of homes.

During 2023/24, the HRA budget was overspent by £16.4m, driven primarily through increased costs in resident services and asset management, and the level of reserves left within the HRA are low, reducing the ability of the Council to respond to unexpected events. To respond to the financial sustainability challenges in the HRA, the Council has developed a HRA Recovery Plan to bring the HRA back into financial balance in the medium term. During 2023/24, the Council addressed the HRA balance by increasing borrowing to support the capital programme, which increases HRA costs in the form of interest payments in the future. We therefore consider there to be a risk over the effectiveness of the arrangements in place to deliver financial sustainability in respect of the HRA during 2023/24.

The Council sets the 2024/25 budget during 2023/24. We noted that the Council has introduced a medium-term financial strategy, with a 3 year financial plan being set for 2024/25 onwards. This brings the Council in line with its peers. We could also see alignment between the Council's 2023/24 revenue and capital budgets, and the Council Delivery Plan, which set out the Council's priorities prior to being replaced by the "Southwark 2030" plan.

We noted that the Council's budget setting papers clearly separate efficiency plans which are not expected to impact on the quality of service delivery and those which result in a reduction in services offered to the public. We feel this supports democratic scrutiny of the budget setting process, as members can clearly see how the budget they approve may impact their constituents. However, we could not see how savings plans were monitored for effectiveness either from the perspective of achieving the required savings or not having a worse-than-expected impact on quality. Owing to the financial strength of the Council we do not believe this has a significant impact on the Council, but it may be an area where processes could be enhanced.

Further detail will be set out in our Auditors' Annual Report.

### Risk assessment conclusion

Based on the risk assessment procedures performed we have identified a significant risk associated with the arrangements to deliver financial sustainability in respect of the Council's Housing Revenue Account. Further detail is set out on page 13.

# Value for money



## Governance

### In assessing whether there is a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.

### Summary of risk assessment

The Council has been developing its risk identification and monitoring procedures during the year. The Council has a risk management framework where officers are encouraged to identify and monitor risks. Risks are logged in an IT system where they are scored on likelihood and impact. The Council also sets out a risk appetite with a policy that risks within appetite are not tracked, however negative risks (i.e. opportunities) are identified. Risks are reported to the Audit, Governance and Standards (AGS) Committee on an annual basis but are not regularly reported to Cabinet. The most recent report to AGS indicated that quarterly review by the Corporate Management Team is due to start soon although we are not aware whether a date for this has been set.

The Council has an established governance structure, with a set of committees and sub-committees that is in line with our expectation for an organisation of its size and complexity. The Council's constitution is set up to help ensure key decisions receive appropriate scrutiny and approval prior to those decisions coming into effect. We have observed that these controls were in place for key decisions during 2023/24 in relation to leisure in-sourcing and the acquisition of a care home.

An internal audit review into the operations at Fair Community Housing that was commissioned due to an objection to the 2022/23 financial statements received by the predecessor auditor concluded and reported during 2023/24. The internal audit review identified a significant number of weaknesses in controls to ensure proper governance over the tenant management organisation (TMO). There is a risk that there could be similar weaknesses in arrangements at other TMOs, of which the Council has 17. Internal audit have also raised recommendations in relation to procurement arrangements for the New Homes Programme, contract management, and in arrangements in relation to gifts and hospitality.

There has been adverse media 2023/24 in relation to two major works contracts at Devon Mansions and Canada Estate, which may indicate a lack of proper arrangements to monitor contractors. We also received correspondence from a resident in relation to the Devon Mansions major works. The matters raised suggests that the Council may not have effective arrangements to manage these contracts and ensure services provided achieve good outcomes for the Council, tenants, and leaseholders. We therefore consider there to be a risk in relation to the arrangements that were in place during 2023/24.

Further detail will be set out in our Auditors' Annual Report.

### Risk assessment conclusion

Based on the risk assessment procedures performed we have identified a significant risk over the effectiveness of governance arrangements in place during the 2023/24 period in relation to TMOs and in relation to major works contract management. Further detail is set out on pages 15 and 16.

# Value for money



## Improving economy, efficiency and effectiveness

### In assessing whether there is a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with other stakeholder and wider partners in development of the organisation;
- How the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

### Summary of risk assessment

The Council's policy is to insource services previously provided by the private sector meaning the Council now has few outsourced services outside of PFI arrangements and capital works. This means the Council has limited requirements to monitor the effectiveness of services provided by third parties and instead needs to focus on the quality of its own activities.

The Council has been developing its quality and performance monitoring arrangements with the establishment of a new performance monitoring team after previous performance monitoring activities were stood down during the COVID-19 pandemic. The Council does not yet monitor and report on performance to Cabinet however the Council has identified KPIs linked to different elements of the Council Delivery Plan and monitors performance on a quarterly basis at the Corporate Management Team, with comparisons to target and prior year outcome. This is then summarised in a report highlighting key achievements to the Overview and Scrutiny Committee.

We have not identified any materially under-performing services during 2023/24, notwithstanding various matters raised by the Local Government and Housing ombudsmen and a self-referral to the Regulator of Social Housing.

The Council has not initiated any "commercialisation" activities such as borrowing to invest or setting up subsidiaries to conduct novel commercial activity.

The Council does have services it provides in partnership with others. Other than the operation of pooled budgets with the local NHS, the Council operates a shared IT service, Shared Technology Services, with the London Boroughs of Brent and Lewisham. The Council participates in a joint oversight committee with those Councils to ensure that the service operates effectively.

The Council has a process where waivers can be obtained from the Council's procurement gateway process, for instance if there is a monopoly supplier or an urgent reason to bypass the procurement process. A register of those waivers is not centrally maintained or scrutinised meaning there is a gap in the information available to officers and members in assessing whether the Council achieves value for money from those suppliers.

Further detail will be set out in our Auditors' Annual Report.

### Risk assessment conclusion

Based on the risk assessment procedures performed we have not identified any significant risks associated with the arrangements in place to improve economy, efficiency and effectiveness.

# Value for money



## 1 Sustainability of Housing Revenue Account

Significant Value for Money risk linked to the domain of financial sustainability



### Significant Value for Money Risk

Our risk assessment procedures identified pressure on the Council's housing department. Southwark is one of the largest social landlords in the country and consequently its housing department needs to respond to a variety of pressures and issues, such as building safety, ombudsman complaints, and a desire to build new homes.

A key risk we identified relates to financial sustainability of the Housing Revenue Account. Availability of financial resources is key to ensuring that homes can be well maintained, new homes can be built, and that the service can operate effectively. This follows on from the risk identified by the predecessor auditor in relation to the affordability of the HRA capital programme.

Southwark's HRA has been experiencing financial pressures caused by (amongst other factors) inflation, new building safety obligations, below-inflation rent increase caps, and interest rates. The value of reserves in the HRA has been falling over time, which reduces the ability of the Council to respond to unexpected cost pressures. At 31 March 2024, the HRA reserve stood at £16.9m, a reduction of £2.5m since the prior period and £9.2m since 1 April 2022. The Council has developed a multi-year HRA Recovery Plan, taking effect from 2023/24 to restore the financial sustainability of the HRA.

During 2023/24, the HRA budget was overspent by £16.4m, driven primarily through increased costs in resident services and asset management. The Council met this overspend through increased borrowing to fund investment in homes (which otherwise would have been met through HRA surpluses and reserves). The interest charges from borrowing will increase the financial pressures as the plan commences.

The low value of the HRA reserve, combined with the overspend during 2023/24 raises the risk that there were no adequate arrangements in place in 2023/24 in relation to the financial sustainability of the HRA.



### Our response

We will perform the following procedures:

- Obtain and read the HRA Recovery Plan. Assess whether the HRA Recovery Plan was subject to appropriate review, challenge, and approval prior to coming into force.
- Ensure the HRA Recovery Plan is plausible in reference to forecast interest and inflation rates; new building safety regulations; and capital expenditure required in respect of stock condition and known capital commitments (e.g., for new homes).
- Evaluate the factors causing the HRA overspend during 2023/24, and assess whether there were appropriate arrangements to monitor and control spending during the year.
- Assess whether the impact of the HRA overspend during 2023/24 has been appropriately factored into the HRA Recovery Plan.

# Value for money



## 2 Management of Tenant Management Organisations

Significant Value for Money risk linked to the domain of governance



### Significant Value for Money Risk

As part of our initial risk assessment, we became aware of governance issues at a Tenant Management Organisation (TMO) through an introductory call from the previous External Auditor plus an internal audit report in relation to controls and arrangements in place at one TMO (Fair Community Housing) following an objection made against the 2022/23 financial statements.

Since our initial risk assessment, the previous external auditor upheld the objection made to the 2022/23 financial statements and the Council has agreed to take forward the recommendations for improvement that were raised by both the external and internal auditor. In addition, the external auditor identified a significant weakness in the Council's arrangements to secure value for money.

The Council has a role in overseeing the performance and effectiveness of TMOs in line with the contract each TMO has with the Council. This includes the ability of the Council's housing department to step in and direct the TMO if underperforming.

As the internal audit review raised as part of the objection was issued during the financial year, we expect that the Council to have started implementing actions to respond to the issues raised, and to have an action plan for the remainder.

For 2023/24, we consider there to be a significant VFM risk because the issues identified at Fair Community Housing may have continued to exist during the year, and there is a risk that there may be similar governance weaknesses at other TMOs. If there are not proper governance arrangements over TMOs, there is a risk that Council funds may not be effectively spent, and that the Council may not be ensuring that TMOs provide a high quality of service to tenants.



### Our response

We will perform the following procedures:

- Assess whether the Council had appropriate governance arrangements in place to monitor the effectiveness of TMOs during 2023/24.
- Read other Internal Audit reports raised during 2023/24 into other TMOs to assess whether the issues raised at Fair Community Housing are likely to exist at other TMOs.
- Assess whether the Council has developed a reasonable action plan in response to the Internal Audit review in relation to Fair Community Housing.
- For a sample of payments made to TMOs during the financial year, assess if the Council had appropriate arrangements in place to ensure that payments were made in line with contractual arrangements and whether the use of the funds was monitored by the Council.

# Value for money



## 3 Major works contract management

Significant Value for Money risk linked to the domain of governance



### Significant Value for Money Risk

Our risk assessment procedures identified concerns raised in the media and at Overview & Scrutiny Committee Meetings in relation to major works programmes in place at Canada Estate and Devon Mansions, two housing estates owned by the Council. We also received information from a member of the public in relation to Devon Mansions which raised further concerns into the management of the major works programme at that estate.

The allegations raised from the media reports and the other information received included that multi-million pounds of money was paid by the Council to contractors without adequate controls to ensure money was well spent and that contractors were performing against contractual commitments.

The allegations made cover two major works schemes which indicate a risk that the Council systematically does not have appropriate governance arrangements in relation to contract management, nor appropriate arrangement to ensure that capital investment is done in an economical, efficient, and effective manner.

Alternatively, if effective governance arrangements are in place over these contracts, there is a risk that the contracts do not allow the Council to efficiently and effectively discharge its major works responsibilities.

We have therefore identified a significant VFM risk that the Council may not have appropriate arrangements in place in relation to managing contracts of this nature.



### Our response

We will perform the following procedures:

- Obtain evidence of how contractor performance has been monitored over the course of 2024/25 for a sample of major works contracts, which shall include Devon Mansions and Canada Estate.
- For the same sample, evaluate whether the Council had adequate controls in place to review works performed and progress to date prior to making payments to contractors, and whether those controls operated over the course of the year.



# Appendix



# Our detailed progress to date: Council



Below we have set out the status of every area of our financial statement audit of the Council.

## Complete or approaching completion

The areas below are either complete, or we are in the process of resolving final queries from our sample testing with management. We do not anticipate any findings will need to be reported to the Audit, Governance and Standards committee arising from these areas.

- Payroll
- Grant income
- Loans
- Council tax and business rates income
- Collection fund debtors
- Housing benefit expenditure
- HRA rental income
- Defined benefit plan obligations
- Investment property classification
- Cash Flows
- Housing Rental Account Supplementary Statement

## Underway but well progressed

The areas below are substantially progressed, however there are either samples outstanding or queries to resolve. At this stage, it is possible that matters could arise which require reporting to the Audit, Governance, and Standards Committee, but we have identified no such matters to date.

- Investments
- Capital additions and asset classification
- Non-pay expenditure
- Fees, charges, and other service income
- Trade receivables
- Defined benefit plan assets
- Trade payables
- Cash and cash equivalents
- Private Finance Initiative (PFI)
- Disclosures: Collection Fund, Officers' Remuneration

## In early stages of progress

Financial reporting and disclosures

- We have worked through many disclosures, but are still testing the following: members' allowances, expenditure and funding analysis, related parties disclosure, capital financing requirement adjustments between accounting and funding basis.

Accrued expenses

- We have received the evidence for our sample are working through initial queries and follow-up requests

PPE and Investment Property Valuations

- We are awaiting a report from our chartered surveyors before we determine the next steps required to complete our work.

Journal entries

- We have sent an initial sample and are currently revising our approach to selecting journal entries from the remaining population before we send out the full set of samples.

# Our detailed progress to date: Pension Fund



Below we have set out the status of every area of our financial statement audit of the Pension Fund.

## Complete or approaching completion

The areas below are either complete, or we are in the process of resolving final queries from our sample testing with management. We do not anticipate any findings will need to be reported to the Audit, Governance and Standards committee arising from these areas.

- Treasury and debts
- Benefits and payments on account of leavers

## Underway but well progressed

The areas below are substantially progressed, however there are either samples outstanding or queries to resolve. At this stage, it is possible that matters could arise which require reporting to the Audit, Governance, and Standards Committee, but we have identified no such matters to date.

- Contributions into the fund
- Investments: directly held property and equities (level 1 and 2).
- Investments: pooled investment vehicles (PIV) level 3 assets, as we await fund manager confirmations for few funds.
- Financial reporting and disclosures: We have worked through contributions, benefits, investment income, management expenses disclosures.

## In early stages of progress

Financial reporting and disclosures

- We are working through investment disclosures, present value of promised retirement benefits, membership details and related parties disclosure.

Investments: Unitised insurance linked assets (level 2)

- We are awaiting on the fund manager confirmations for these, once received, we will be able to complete our work.

Journal entries

- We are completing our screening procedures before we send out the full set of journal entries for testing.



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<b>Meeting Name:</b>	Audit, Governance and Standards Committee
<b>Date:</b>	13 November 2024
<b>Report title:</b>	Update: Corporate Anti-Fraud Team and the Special Investigations Team 2024-25 Q2
<b>Ward(s) or groups affected:</b>	All
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	n/a

### RECOMMENDATION(S)

1. That the audit, governance and standards committee note the 2024-25 Q2 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 September 2024.

### KEY ISSUES FOR CONSIDERATION

#### 2024-25 Investigations

3. There were 20 corporate anti-fraud, 4 Right To Buy 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 and 30 September 2024.

Table 1: Summary of the anti-fraud caseload Q2 2024/25

2024-25 Q2	Corporate Anti-Fraud		Homeless		Waiting List		Right to Buy		Blue Badges	
	Open	Closed	Open	Closed	Open	Closed	Open	Closed	Open	Closed
C/f	20		0		0		4		6	
April	6	4	2	0	5	0	3	5	1	0
May	14	9	1	0	3	3	3	2	6	6
June	7	3	2	1	1	4	3	4	0	0
July	6	10	1	3	11	6	2	2	0	0
Aug	8	8	0	2	7	4	1	3	2	0
Sept	5	11	0	0	12	8	0	0	0	0
<b>Total</b>	<b>66</b>	<b>45</b>	<b>6</b>	<b>6</b>	<b>39</b>	<b>25</b>	<b>16</b>	<b>16</b>	<b>15</b>	<b>6</b>

*Corporate Anti-Fraud investigations*

4. Table 2 shows 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. A further two cases are open as advisory to support external agencies with their enquiries.

Table 2: Corporate Anti-fraud Team Investigations by council directorate

<b>CAFT Investigations - 2024 -25</b>		
<b>Directorate</b>	<b>Internal</b>	<b>External</b>
Chief Executive Office	0	5
Children & Adults	5	8
Environment, Sustainability & Leisure	4	2
Governance & Assurance	1	0
Housing	2	5
Resources	2	11
Strategies & Communities	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 Q2, the team received 1 referral for a homelessness application and 30 for housing waiting list applications.
- Carry over from Q1 - 4 Homeless applications were 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. 1 homeless application was maintained.
  - Q2 - 10 waiting list applications were denied and 6 cases were maintained. In 2 cases, there was no further action. The remaining cases are being reviewed.

*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 £136,400.
8. In 2024-25 Q2 there have been 3 referrals. The outcomes for Q2 are.

- 4 cases have been closed after review and referred back to the RTB Team to progress the application.
- 1 application has been denied.

### *Blue Badge*

9. The Corporate Anti-Fraud Team (CAFT) support referrals for 'Blue Badge' fraud and misuse as part of an Environment, Sustainability and Leisure (ESL) 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 - September 2024.

Closed No Further Action	6
Under investigation	9
<b>Total</b>	<b>15</b>
(6 Blue Badge CAFT referrals 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. Tables 3 provide a breakdown of BBFI blue badge seizures by type

Table 3. Blue Badge Seizures Type

BBFI Breakdown of seizure. April to Sept 2024						
	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>
Misuse	7	6	5	3	-	5
Lost	-	-	1	1	1	2
Stolen	3	4	4	6	5	4
Deceased	-	1	1	-	-	-
Fake/Copy	1	-	1	-	-	-
Expired	1	2	-	1	2	-
Cancelled	-	-	1	-	1	1
<b>Total</b>	<b>12</b>	<b>13</b>	<b>13</b>	<b>11</b>	<b>9</b>	<b>12</b>

Total Cases April to September 2024 = 71

In preparation	4 (Awaiting Car pound docs)
Quality Assurance	2 (Review of evidence)
With Legal Services	37 (17 are still awaiting court)
Warning Letters	10 (warning letters for familial misuse offences).
Badge seized+ Towaway	18

## Housing Tenancy Counter Fraud Activity 2024-25 Q2

12. 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, Housing Needs and Support Directorate. The team operates reactively and proactively.
13. The performance measure for the team is to be in the 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 4: Summary of Housing Tenancy Investigations 2024-25 Q2

<b>2024/25</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>Aug</b>	<b>Sept</b>	<b>YTD</b>
Open cases Month Start	<b>483</b>	<b>487</b>	<b>496</b>	<b>514</b>	<b>426</b>	<b>427</b>	<b>483</b>
Reactive Referrals Received	23	23	28	21	19	12	126
Verification Referrals Received	2	6	8	21	38	19	94
Proactive Referrals Received	2	0	0	0	0	0	2
Investigations Opened	27	29	36	23	18	18	151
Investigations Closed	23	20	18	88	17	14	180
Open Cases Month End	487	496	514	426	427	431	431
Properties Recovered	1	4	1	0	1	1	8
Frauds Prevented	0	4	4	2	0	2	12
Other Positive Outcomes	0	2	3	1	1	4	11
Value of Fraud Detected (£000's)	39	191	99	30	39	39	437

14. In addition to the properties recovered by the Special Investigations Team a further 27 properties have been recovered by Area Housing Management as a result of unlawful or illegal occupation; these will include properties recovered as a result of proactive enhanced verification work undertaken by SIT and other work to support Area Housing Management.
15. The above average number of case closures in July 2024 was as a result of a review of existing low risk cases which were not allocated to investigations



officers. Periodical reviews are taken of low risk cases (i.e. lack of obvious lines of enquiry) to ensure effective management and progression.

16. The Ministry of Justice (MoJ) quarterly statistics for their Q2 April to June 2024 have recently been released. The MOJ report indicates an increase in time delays on taking cases to court, previously reported as approximately 67 weeks, now exceeding 71 weeks.
17. 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.
18. Table 5 shows the number of notices served where the Special Investigations Team have established sufficient evidence to determine that a secure tenancy should cease due to illegal occupation; the '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 5: Notices Served

	April	May	June	July	Aug	Sept	YTD
Notices Served	4	3	1	0	0	0	8
Cases Referred to Legal Services	1	1	1	0	1	0	4
Cases with Legal Services (total)	20	21	21	21	21	22	22
Claims Issued by Court	0	2	0	0	0	1	3

*Enhanced Verification*

19. 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 can be seen in the Table 6:

Table 6: Enhanced Verification

	April	May	June	July	Aug	Sept	YTD Total
Received	2	6	8	21	38	19	94
Within 20 w/days	2	6	8	20	34	15	85
Accept	1	2	4	14	26	9	56
Deny	0	1	1	3	7	7	19
Further Info	1	3	0	3	1	4	12

20. Q2 indicates a significant uplift to Q1 as the enhanced verification process was not fully implemented until the start of June 2024. Therefore Q2 will have seen the process fully implemented and bedded in and therefore an increased number of cases referred for verification.
21. The value of fraud detected by the Special Investigations Team from the various work streams is identified in the Table 7 below:

Table 7: Fraud Value

<b>2024/25</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>Aug</b>	<b>Sept</b>	<b>YTD</b>
Value detected Illegal Occupation (£000's)	39	156	39	0	39	39	312
Value detected RTB prevented (£000's)	0	0	0	0	0	0	0
Value detected Tenancy prevented (£000's)	0	30	60	30	0	0	120
Other (£000's)	0	5	0	0	0	0	5
<b>Total</b>	<b>39</b>	<b>191</b>	<b>99</b>	<b>30</b>	<b>39</b>	<b>39</b>	<b>437</b>

22. The value of recovered properties is calculated using the Tenancy Fraud Forum/Fraud Advisory Panel formula which is generally adopted by LA's and is based on average, net, TA cost multiplied by average length of illegal occupation plus average investigation, legal and other costs. The national average was calculated at £42k per property but the formula allows for calculation using LA specific figures.
23. Value of tenancy prevented is £15k per property and is average, net, TA cost multiplied by average length of occupation in TA (currently 2.5 years).
24. Value of a RTB prevented is £133k (max discount value) plus three years average rent. (Rental income is lost to the HRA and a brand new tenant would not have the RTB for 3 years from the start of the tenancy).

### **National Fraud Initiative (NFI)**

25. 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.
26. 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.

- i. Risk Logic - a set criteria for each dataset combination which indicates when a fraudulent outcome is more likely to occur and;
  - ii. 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.
27. 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.
  28. Southwark have participated in an NFI Tenancy Fraud Pilot project which has resulted in further data being released to the Council to review and consider. This pilot project has produced a new release of over 7,000 matches. These will be examined over the course of Q3 to assess their quality, effectiveness and usefulness although initial considerations indicate that these are not likely to identify significant numbers of cases not already identified by other proactive work undertaken by the team.

### **Staffing, Recruitment and Training**

29. CAFT has a compliment of 6 posts. 1 manager leading 3 teams. Currently there is 1 vacancy. Following a recent internal recruitment exercise 2 posts have been filled - a Senior Investigations Officer and a Fraud and Verification Officer.
30. SIT has a planned compliment of a manager and 8 investigations officers. There are currently 2 vacancies which should be filled before the end of the financial year. The loss of two officers is likely to have only a short-term impact on team performance as measures have been put in place with the remaining staffing to mitigate this.
31. The minor reorganisation to create the Housing Needs and Support Directorate and the move of the Special Investigations Team business unit to this new directorate is not anticipated to have any effect on the delivery of the counter fraud services.

### **Policy framework implications**

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

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

33. 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**

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

### **Health impact statement**

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

### **Climate change implications**

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

### **Resource implications**

37. This report is not considered to have direct impact on resource implications

### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

38. None required

### **BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
None		

### **APPENDICES**

<b>No.</b>	<b>Title</b>
None	

**AUDIT TRAIL**

<b>Lead Officer</b>	Tim Jones, Director of Corporate Finance	
<b>Report Author</b>	Paul Bergin, Corporate Anti-Fraud Manager Chris Flemyng, Special Investigations Team Manager	
<b>Version</b>	Final	
<b>Dated</b>	30 October 2024	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Assistant Chief Executive, Governance and Assurance	n/a	n/a
Strategic Director, Resources	n/a	n/a
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>	30 October 2024	

<b>Meeting Name:</b>	Audit, Governance and Standards Committee
<b>Date:</b>	13 November 2024
<b>Report title:</b>	Review of the Members' Code of Conduct update
<b>Ward(s) or groups affected:</b>	All
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	N/A
<b>From:</b>	Assistant Chief Executive – Governance & Assurance/ Monitoring Officer

## RECOMMENDATION

1. That the committee note the progress of the Review of the Members' Code of Conduct and the timelines for the final recommendations to be made to Council Assembly in 2025.

## BACKGROUND INFORMATION

2. The current code of conduct has been in place since 2011. In 2021, the Local Government Association (LGA) issued a new model code of conduct for consideration by councils. In 2023 the Monitoring Officer reported to the Audit Governance and Standards Committee that it would be timely for a review of the current code of conduct in light of the LGA model code. The key consideration is whether the current code should change. Options include keeping the current code, adopting the LGA code in part or in its entirety, or amending the current code, to include some elements of the LGA code.
3. A member/officer working group was established on September 2023. This is chaired by the Monitoring Officer. Members appointed are Councillors Esme Dobson, Natasha Ennin, Sam Foster, Barrie Hargrove, Sunny Lambe and Jane Salmon. The working group is supported by officers from constitutional support and legal services.
4. The group has met five occasions: 30 October 2023, 29 January, 11 March, 29 April and 30 September 2024, to review progress and agree the plan of work.
5. External governance trainer, Bethan Evans, has been engaged to review the current code of conduct and consider the impact of adopting the LGA code. Two virtual Member workshops were facilitated by Bethan Evans to consider the impact of adopting the model code (or parts of it). These took place on 7 and 26 February. Around 24-28 members attended these workshops.

6. Feedback on the potential move from the current code to the LGA code has also been obtained from the Independent Persons. (These are the persons consulted by the Monitoring Officer when a complaint is made about a member).
7. A benchmarking exercise has been undertaken to look at the extent to which other London boroughs have adopted the model LGA code, in part, in full or not at all.
8. Following consultation with members, officers are providing further advice and options in relation to other registerable interests.
9. Consideration is also being given to existing protocols within the Constitution, which will also need to be amended, if the LGA model code is adopted (in part or in whole), to ensure that all relevant provisions are contained within the new code. A revised Member Officer Protocol is also being consulted on. It is anticipated that this will be finalised at the same time the Code of Conduct.

### KEY ISSUES FOR CONSIDERATION

10. This is the Members' Code of Conduct and so it is for Members to determine whether to recommend that the current code remains unchanged, or whether to adopt the LGA model code in full or in part.

The timetable for progress to date and proposed steps is as follows:

<b>Action</b>	<b>Date</b>
Code of Conduct (CoC) MOWG	11 March 2024
Consultation with independent persons	April 2024
CoC MOWG	29 April 2024
Audit, governance and standards committee Update report: timetable, consultation, workshops for all Members.	3 June 2024
CoC MOWG	12 June 2024
Consultation on Draft Code of Conduct	September 2024
CoC MOWG	30 September 2024
Consultation with political groups on Draft Code of Conduct	7 October 2024
Audit, governance and standards committee	13 November 2024
Training sessions on Final draft of CoC and MOP	15 & 23 January 2025

<b>Action</b>	<b>Date</b>
Audit, governance and standards committee Receive final draft for agreement and referral to council assembly	3 February 2025 (planned)
Constitutional steering panel Receive final draft from AGS for agreement and referral to CA	5 March 2025 (planned)
Council assembly: Sign off of final draft for implementation from beginning on 2025/26 municipal year	19 March 2025 (planned)
Workshops for all members on new CoC	April 2025

### **Policy framework implications**

11. The council must have a code of conduct for members. The current code is considered to be lawful and compliant. The adoption of the LGA model code, in full, is likely to be most impactful in relation to disclosure of interests and withdrawal from decisions.

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

#### **Community impact statement**

12. The code of conduct sets out how members should conduct themselves when acting in their capacity as members.

#### **Equalities (including socio-economic) impact statement**

13. It is already a requirement of the current code that members deal with representations and enquiries from residents and communities fairly and impartially, with respect and in accordance with our legal obligations.

#### **Health impact statement**

14. There are no health impacts arising from this report.

### **Climate change implications**

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

### **Consultation**

16. Consultation has already taken place with Members and the Independent persons.



**BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
Southwark code of conduct ( <a href="#">Southwark</a> )	Available on the internet	S Feasey 02075257580
LGA model code of conduct ( <a href="#">LGA</a> )	Available on the internet	S Feasey 02075257580

**AUDIT TRAIL**

<b>Lead Officer</b>	Doreen Forrester-Brown, Assistant Chief Executive and Monitoring Officer	
<b>Report Author</b>	Sarah Feasey Head of Legal	
<b>Version</b>	Final	
<b>Dated</b>	1 November 2024	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Assistant Chief Executive, Governance and Assurance	Yes	Yes
Strategic Director, Finance	No	No
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>		4 November 2024

<b>Meeting Name:</b>	Audit, Governance and Standards Committee
<b>Date:</b>	13 November 2024
<b>Report title:</b>	Review of Communications Protocol
<b>Ward(s) or groups affected:</b>	N/A
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	N/A
<b>From:</b>	Assistant Chief Executive (Governance and Assurance)

## RECOMMENDATION

1. That the committee consider the attached Communication protocol at Appendix A.
2. The committee agree to recommend the amendments to the Communications protocol to Council Assembly.

## BACKGROUND INFORMATION

3. The Communication protocol was introduced in May 2004. It was introduced as a requirement of the constitution and to support legislation and provide clarity about communication issued by the council.
4. The Audit, Governance and Standards Committee have a role of advising the council on the revision of this protocol. The protocol will be further considered by the Constitutional Steering Panel and agreed by Council Assembly.

## KEY ISSUES FOR CONSIDERATION

5. Members will recall that in the last major revision was in 2017. The protocol has been regularly reviewed but no significant changes were made.
6. The main changes include a new introduction, including the statutory requirement in an appendix, provisions concerning visits by ministers, shadow ministers and other politicians.
7. There are changes to the Obligations on officers in relation to documents being prepared for public consumption, to assist officers in preparing communications. There are also changes to members' postage.

8. There are a number of housekeeping changes, concerning titles, other legislation and gender-neutral language; links have also been added to the document.
9. A marked-up copy of the proposed communications protocol is attached as Appendix B.

### **Policy framework implications**

10. This protocol is a key document that establishes how the council's communications will be managed and governed and exists to protect the reputation of the Council, to aid the promotion of key service campaigns and, on occasion, to protect the Council from inaccurate media (broadcast, print and online news websites) reports.
11. Good media relations are essential to protecting reputation. Officers and Councillors can be called on to help and explain the Council's activities. This protocol sets out some of the key ways this is done.

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

12. Good communication between the council and the public are very important in aiding the decision-making process and helping to boost public confidence in the Council. The code of recommended practice states that: "Publicity about local authorities and the services they provide should be freely available to anyone who wishes to receive such information in a format readily accessible and understandable by the person making the request or by any particular group for which services are provided."
13. The council has a duty under the Equality Act (2010) and the Code of Recommended Practice for Local Government Publicity to ensure that information about council services is made available to all audiences.

### **Climate change implications**

14. There are no direct climate change implications arising from this report.

### **Resource implications**

15. There are no direct resource implications in this report, as this can be managed within relevant departmental budgets.

### **Consultation**

16. There has been no consultation on this report.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Assistant Chief Executive (Governance and Assurance)**

17. There are no specific legal matters.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Communications Protocol	Legal Services, Southwark Council, 160 Tooley Street, London SE1 2QH	Norman Coombe 020 7525 3433

## APPENDICES

No.	Title
Appendix 1	Proposed revised communication protocol
Appendix 2	Marked up communication protocol with tracked changes

## AUDIT TRAIL

<b>Lead Officer</b>	Doreen Forrester-Brown, Assistant Chief Executive Governance & Assurance	
<b>Report Author</b>	Norman Coombe, Specialist Governance Lawyer, Legal Services	
<b>Version</b>	Final	
<b>Dated</b>	30 October 2024	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments sought</b>	<b>Comments included</b>
Assistant Chief Executive (Governance and Assurance)	Yes	Yes
Strategic Director of Resources	No	No
<b>Cabinet Member</b>	<b>No</b>	<b>No</b>
<b>Date final report sent to Constitutional Team</b>	1 November 2024	

## COMMUNICATION PROTOCOL

### Introduction

This protocol provides guidance to members and officers about the ways in which publicity will be issued or produced by the council, and on how council resources can be used by members.

In summary:

- The council cannot produce publicity that appears to be designed to affect public support for a political party or a particular member's political views
- Council resources cannot be used to provide support for a political party or the political activity of any member.
- Members and officers need to take particular care in periods immediately prior to an election or referendum; the monitoring officer will issue specific guidance during such times.
- The protocol also applies to any material issued by organisations that are either wholly or partly separate from the council but which use council's grants or other funding from the council to produce the publicity
- It is important to bear in mind that publicity is widely defined as "any communication in whatever form, addressed to the public at large or to a section of the public".

### The statutory framework and Code of Publicity

When publishing any material at any time, a local authority must comply with the provisions of the Local Government Act 1986 (the Act) and the Code of Recommended Practice on Local Authority Publicity 2011 (the Code) which was revised on 31 March 2011. Details are included in the Appendix.

1. The key points to note from the Act and the Code are that publicity by local authorities should:
  - (1) be lawful
  - (2) be cost-effective
    - Consideration needs to be given to achieving value for money and to what is the most appropriate publicity in each case.
    - The code requires that where central government publicity has been issued on a matter, local authorities should not incur expenditure on

publicity on the same matter unless they consider additional value is added, i.e. by giving a local context to national issues.

- Local authorities should consider whether to take advice before embarking on a publicity campaign involving very large expenditure.
- (3) be objective
- Where publicity is used to comment on, or respond to the policies and proposals of central government, or other local councils, the comments or response should be balanced and factually accurate and should avoid anything likely to be perceived by readers as constituting a political statement.
  - Any publicity describing council policies and aims should be as objective as possible, concentrating on facts or explanations or both.
  - Local authorities should not use public funds to mount publicity campaigns whose primary purpose is to persuade the public to hold a particular view on a question of policy.
- (4) be even-handed
- Where local authority publicity addresses matters of political controversy it should seek to present the different positions in question in a fair manner.
  - Except where a period of heightened sensitivity exists (i.e. in a pre-election period), it is acceptable for local authorities to publicise the work done by individual members of the council, even if those views do not reflect the views of the local authority itself, although such publicity should make this fact clear.
  - It is acceptable for local authorities to host publicity prepared by third parties such as blogs and with links to external sites, although those may need to be disabled during a period of heightened sensitivity.
  - It is acceptable for publicity prepared by third parties and hosted by local authorities to include a logo associated with a political party or particular member of the authority such as the leader, but publicity material relating to a particular member must not seek to affect public support for that individual.
- (5) be appropriate
- Local authorities should not incur any expenditure in retaining the services of lobbyists in order to publish material designed to influence public officials, MPs or the government.
  - Publicity about local authorities and services should be freely available in accessible formats.
  - Local authority publicity should clearly identify itself as a product of the local authority.
- (6) have regard to equality and diversity
- Publicity may seek to influence attitudes on health, safety, crime prevention, equality, diversity and community issues.
- (7) be issued with care during periods of heightened sensitivity
- Particularly regard needs to be paid before elections and referendums, when the general rule is that no publicity should be issued which seeks to influence voters.

- (8) When deciding whether publicity may fall foul of the Act and the Code, the council should consider
- the content and style of the materials
  - the timing and circumstances of the materials
  - the likely effect on those to whom it is addressed
  - whether it refers to a political party or politician
  - whether it advocates a particular view that can be easily identified with a political party
  - if it is part of a campaign, the effect that campaign is designed to achieve.

### **Publicity of individual councillors**

2. Publicity about councillors may include their contact details, their political affiliation, the position they hold with the council and their responsibilities.
3. Publicity may include information about individual councillor's proposals, decisions and recommendations where this is relevant to their position and responsibilities within the council. Publicity of individual councillors should avoid personalisation of issues or personal image making.

### **Ward member of the council**

4. Ward councillors will be invited to attend public meetings and events organised by the council to consider a local issue and will also be kept informed of consultative exercises on local issues. Some events will involve some members in formal roles, i.e. take part in photo opportunities, make presentations or officially address an audience and members will be advised of what those formal roles are and who is involved in those at the time of invitation.
5. Nothing in this protocol shall prevent the normal publication of the details of members' surgeries on-line, in hard copy or in advertisements.

### **Visits by government, shadow ministers and other politicians**

6. It is open to government and shadow ministers and other politicians, such as the Mayor for London to visit the borough at any time. However should the minister or any other politician require assistance or access to any of the council's services or facilities, the visit will need to be arranged through official channels of the council as set out below. This will ensure that appropriate support is provided on the day.
7. To this end all such requests from government and shadow ministers must be referred to the director of communications who will promptly notify the chief executive of the request.
8. The director of communications will liaise with their counterpart at the relevant government department to ascertain the purpose of the visit. The director of communications in consultation with the chief executive and monitoring officer will authorise the visit if satisfied that the visit would assist the council in promoting one or more of its policies and or objectives or would be purely for fact finding.

9. Events which involve government ministers or other political figures and shadow ministers should usually be led by the leader or cabinet member with the Mayor informed or invited to lead as appropriate. Ward councillors and leaders of all the political parties should be invited where possible and appropriate. Politicians will not be permitted to speak at or otherwise participate in a council event where this appears to be designed to affect public support for a political party. Council resources can not be used to facilitate any event where the purpose is to affect support for a political party, including events involving politicians from overseas.

### **Visits by local and other Members of Parliament (MPs)**

10. There may be instances where local and other MPs who are not ministers will have a special interest in attending an event that is taking place in the borough. In this instance the MP in question may either be formally invited or merely informed about the event. Where the MP has not been specifically invited to attend, they should not expect to be treated as an “official” invitee.

### **Promotional publicity**

11. Local authorities are authorised under the Local Government Act 1972 to publicise information as to the services provided by them or other local authorities in their area. Publicity can also be used to explain or justify the council’s policies either in general, such as in the annual report, or on specific topics, for example as a background to consultation. However, any such publicity should comply with the principles of the code.

### **Publicity of matters going before the cabinet, council assembly or any committee of the council**

12. All matters going before the cabinet or committees for decision are publicised five clear working days before the meeting or seven clear working days in the case of council assembly unless the report contains exempt information (i.e. information that has been judged by the proper officer as confidential) or unless a matter is considered urgent. Some matters will obviously generate more press interest than others. Where the press is interested in a matter that is to be the subject of a decision by the council, the director of communications in conjunction with the relevant chief officer and cabinet member may issue a press release explaining the reasons behind the recommendations. Any such press release must be factual and objective. Members may be asked by the media to comment on this press release but should remember that whilst criticism of ideas and opinion is part of the democratic process, a member must comply with the code of conduct.
13. Where there has been misinformation about any of the council’s policies or objectives the director of communications is authorised to take any appropriate corrective measures.

### **Scrutiny**

14. Publicity about scrutiny will concentrate on factual information about which scrutiny exercises the council is conducting, who is involved, the process they will follow and the decisions they take. Where scrutiny suggests a course of action that differs to or challenges one agreed by the cabinet or any other



council decision making body, this would be made clear in publicity together with the process for resolving the difference.

### **Contact with press**

15. As outlined in the code of conduct for employees, employees and other staff should not communicate with press and other media unless authorised by the appropriate manager to do so.

### **Press releases**

16. All press releases from the council must be agreed and signed off by the communications unit and issued either electronically or on council headed paper. Press releases containing quotes from members must be agreed and signed off by the appropriate member.

### **Social media**

17. It is acceptable for the council to host social media, such as a blog, which itself contains links to external sites where the content would not itself comply with the code. However care needs to be exercised in that such links do not:
  - contain content that may result in actions for libel, defamation or other claims for damages
  - be used to process personal data other than for the purpose stated at the time of capture
  - be used in an abusive, hateful or disrespectful manner.
18. However particular care must be taken during the period before elections and referendums to ensure that no breach of any legal restriction takes place. It may be necessary to suspend the hosting of material produced by third parties or public forums during such periods.
19. In addition, where members are present as voting members at any meeting where they are determining any application for any approval, consent, licence, permit or permission, they should not access the internet (except as it relates to the official business of the meeting), send or receive emails, text, messages or tweets concerning the business of that committee. Further advice is given by the monitoring officer's guidance 'A few top tips for members using social media' issued in September 2016. <http://thesource/tools-and-resources/communications/>

### **Publicity during periods of heightened sensitivity**

20. Candidates in an election or referendum should not be provided with any form of publicity during the period between the notice of an election and the election itself.
21. Any publicity should be objective, factual, not deal with controversial political issues and avoid personalisation of the issues or inappropriate personal image making.
22. The council should not produce publicity designed to influence the views of local people on petitions, referendums or specific proposals.

### **The role of the communications unit**

23. The communications unit works on behalf of the council and not for any political party. The purpose of its work is to provide high quality information about the council, its policies and its services and to maintain public confidence and where appropriate to protect and to promote the council's reputation. It aims to encourage better relationships with the local community. It is important to remember that all publicity and press releases are directed through the communications unit so these goals can be achieved.
24. The director of communications can advise members on how to deal with press enquiries, and how to arrange publicity for events, which can be properly publicised. Members have a remit to discover and make public inefficiency and poor public service; however, they should be careful where a matter they wish to make public relates to identifiable officers.
25. Publicity and information will cover areas such as why the council makes the decisions it does, and why other proposals are rejected. The communications unit will feature the decisions of the council, i.e. those decisions made by the council assembly, cabinet, scrutiny, planning or licensing committees, or those actions which have been taken within the broad policy framework already set by the council, subject to any call-in arrangements.

### **Obligations on officers in relation to documents being prepared for public consumption**

26. Council staff and resources must not be used to arrange proactive events, such as photocalls, if they would provide politicians with a platform to communicate with the public that would not otherwise be available to them.
27. When considering whether a communication or publicity is appropriate to be issued, officers should ask themselves whether the communication or publicity is objective, balanced, informative and accurate.
28. Where officers are uncertain as to whether a communication or publicity is appropriate they should seek advice from the communications unit and the monitoring officer. .
29. If officers are concerned about the suitability of proposed publicity, they should seek to explain why and offer an alternative form of words. Again the communications unit or the monitoring officer can offer guidance on what would be appropriate.

### **The role of the Mayor**

30. The Mayor is the first citizen of the borough. They are responsible for promoting the council as a whole and representing the council in civic and ceremonial events.
31. The Mayor is also responsible for chairing meetings of the council assembly and interpreting the constitution as necessary. Where the Mayor is unable to act or the office is vacant, the Deputy Mayor will discharge all of the Mayor's duties except that the deputy may not chair meetings of the council assembly unless specifically appointed to do so.

## Key spokespeople

32. The role of the spokesperson is to present facts about council decisions, the context in which they were taken, actions, and issues faced by the council. Members who are key council spokespeople are the leader and deputy leader and cabinet members within their portfolio, the chair of overview and scrutiny committee, planning chair, licensing chair, and chair of the audit, governance and standards committee. They will be quoted or featured in publicity where it relates to their responsibilities on the council.

## Correspondence

33. Generally correspondence from one member to an officer should not be copied to, or discussed with, another member without the member's consent subject to any rights of access arising from the Freedom of Information Act 2000, the UK GDPR and the Data Protection Act 2018. If a member has sought advice from an officer and included a circulation list, it can be assumed that the officer's response can be circulated to those people on the circulation list for the original letter, even if that list includes other members.
34. This does not prevent officers copying letters to each other about casework across ward or interest boundaries in order to respond to a member inquiry. Points of general interest to all members may be converted into general advice, and circulated (within the limitations set down in the Data Protection Act). A chief officer is also able to advise a relevant cabinet member in general terms of an issue raised with the chief officer in correspondence, or otherwise, by another member.
35. Official letters from the council should normally be sent out in the name of the appropriate officer rather than a member. It may be appropriate for members to write in certain circumstances (e.g. representations to a government minister); however, this would be the exception rather than the norm. Letters which create obligations or give instructions should not be sent out in the name of a member.

## Postage

36. Preparation and postage of correspondence are a significant part of the support given to members. The content and purpose of letters, leaflets, and other correspondence must relate to the member's role in the authority. The members' services manager will arrange for monitoring arrangements to be put in place, and refer doubtful cases to the monitoring officer.
37. The use of council resources in the preparation and postage of the following kinds of post are not permitted:
- private mail including correspondence for other bodies
  - mailshots
  - letters sending out information (concerning planning application, refuse collection, etc) which is the responsibility of officers
  - letters which criticise other groups and their members or praise the writer or their political group
  - group publicity such as political party greetings cards
  - greetings cards sent only to members of a particular party group.

For the avoidance of doubt, correspondence to residents about the location of surgeries by members who do not have a fixed location for their surgery shall not constitute a mailshot.

38. Members are entitled to use council resources to respond to requests that their constituents have raised with them for action and explain what action has been taken, but not generally to publicise their work in the ward. Requests to send out large numbers of letters will have to show what demand is being responded to, and that the letter is a proportionate response to that demand. In any event, member services do not have the resources to send out more than one batch of such letters a month for any member. Members are reminded that this is a finite resource, and member services may need to limit the use of this if excessive costs are incurred. Further advice is given by the monitoring officer's guidance 'Correspondence and Mailshots' issued 8 May 2019: (<http://moderngov.southwark.gov.uk/documents/s82430/Correspondence%20and%20Mailshots%20MO%20Guidance%202019.pdf>).
39. Where members are uncertain as to whether a communication or publicity is appropriate they should seek advice from the director of communications and the monitoring officer in those cases.

## Emails

40. Email and internet access facilities are provided to members to support work on council related activities. The standards set out for officers in the use of emails apply equally to members. The key standards are that:
- any behaviour or comment that is not permitted in the spoken or paper environment is also not permitted in an email message
  - email messages should be inoffensive and should not be construed to harass
  - emails must not incite racial hatred or be pornographic in nature either in the body of the text or as an attachment
  - chain emails should not be forwarded on.
41. As a general rule, emails cannot be used for party political purposes but:
- emails organising the political group in relation to council business are allowed
  - the use of the email address in a party political leaflet to advertise a ward surgery or as a means of allowing residents to contact their ward members on non-party political matters is allowed
  - emails to newspapers as a means of commenting on council business from the political group's perspective are allowed.
42. Members should note the requirements for social media are given in a previous section.
43. Members should remember that emails may be subject to disclosure if a request is made under the Freedom of Information Act 2000.
44. Any use of IT resources, including email and the internet, that contravenes any legislation (such as the UK GDPR, the Data Protection Act 2018; the Computer

Misuse Act 1990; and the Copyright, Designs and Patents Act 1988 (as amended)); or breaches the general obligations of the code of conduct for members; or breaches council policies on information security is considered to be unacceptable. Members are responsible for the content of any email sent from their username and in certain circumstances the council may also be found liable for the content of such email.

45. Emails and other personal information should be retained only for the minimum period necessary, in accordance with the UK GDPR and the Data Protection Act 2018. Further details on the UK GDPR and Data Protection Act in term of members' business use can be obtained from legal services.
46. It is important that members manage the information that they store to ensure its availability, confidentiality and integrity. Therefore members should regularly review all council information (including files and email messages) they hold and delete all redundant or irrelevant data.
47. Where a telephone number and/or email address has been issued to a member or group of members it is expected that these will be publicised except on political publicity material.
48. Questions on legal issues relating to the interpretation of this guidance contact:
  - Doreen Forrester-Brown, Assistant Chief Executive, Governance & Assurance at [Doreen.forrester-brown@southwark.gov.uk](mailto:Doreen.forrester-brown@southwark.gov.uk)
  - Sarah Feasey Head of Law (Communities) at [Sarah.feasey@southwark.gov.uk](mailto:Sarah.feasey@southwark.gov.uk)
49. Questions regarding media and preparing event or publicity materials contact:
  - Eddie Townsend Director of Communications, Engagement and Change at [Eddie.Townsend@southwark.gov.uk](mailto:Eddie.Townsend@southwark.gov.uk)

### Useful links

[Code of Conduct](#)

[Constitution.](#)

[Publicity Code](#)

### Version Control

Document version	Owner	Date	Review
2024 draft V5	Sarah Feasey	15/08/2024	

**APPENDIX**

Section 2 of the Local Government Act 1986 states:

- (1) A local authority shall not publish, arrange for the publication of or assist others to publish any material, which in whole or in part appears to be designed to affect public support for a political party
- (2) In determining whether material falls within the prohibition regard shall be had to the content and style of the material, the time and other circumstances of the publication and the likely effect on those to whom it is directed and in particular the following matters:
  - a) whether the material refers to a political party or to persons identified with a political party or promotes or opposes a point of view on a question of political controversy which is identifiable as the views of one political party and not of another
  - b) where the material is part of a campaign, the effect that the campaign appears to be designed to achieve.

Section 6 of the Act defines publicity and related expressions as “any communication in whatever form, addressed to the public at large or to a section of the public”.

The Act also makes provision for the Secretary of State to direct a local authority to comply with the Code.

Here is a link to the [code of recommended practice for local authority publicity](#).

## **COMMUNICATION PROTOCOL**

### **Introduction**

This protocol provides guidance to members and officers about the ways in which publicity will be issued or produced by the council, and on how council resources can be used by members.

In summary:

The council can not produce publicity that appears to be designed to affect public support for a political party or a particular member's political views

Council resources can not be used to provide support for a political party or the political activity of any member.

Members and officers need to take particular care in periods immediately prior to an election or referendum; the monitoring officer will issue specific guidance during such times.

The protocol also applies to any material issued by organisations that are either wholly or partly separate from the council but which use council's grants or other funding from the council to produce the publicity

It is important to bear in mind that publicity is widely defined as "any communication in whatever form, addressed to the public at large or to a section of the public".

### **The statutory framework and Code of Publicity**

**When publishing any material at any time, a local authority must comply with the provisions of the Local Government Act 1986 (the Act) and the Code of Recommended Practice on Local Authority Publicity 2011 (the Code) which was revised on 31 March 2011.** Details are included in the Appendix.

1. The key points to note from the Act and the Code are that publicity by local authorities should:
  - (1) be lawful
  - (2) be cost-effective
    - Consideration needs to be given to achieving value for money and to what is the most appropriate publicity in each case.
    - The code requires that where central government publicity has been issued on a matter, local authorities should not incur expenditure on publicity on the same matter unless they consider additional value is added, i.e. by giving a local context to national issues.
    - Local authorities should consider whether to take advice before embarking on a publicity campaign involving very large expenditure.
  - (3) be objective
    - Where publicity is used to comment on, or respond to the policies and proposals of central government, or other local councils, the comments or response should be balanced and factually accurate and should avoid anything likely to be perceived by readers as constituting a political statement.
    - Any publicity describing council policies and aims should be as objective as possible, concentrating on facts or explanations or both.
    - Local authorities should not use public funds to mount publicity campaigns whose primary purpose is to persuade the public to hold a particular view on a question of policy.
  - (4) be even-handed
    - Where local authority publicity addresses matters of political controversy it should seek to present the different positions in question in a fair manner.
    - Except where a period of heightened sensitivity exists (i.e. in a pre-election period), it is acceptable for local authorities to publicise the work done by individual members of the council, even if those views do not reflect the views of the local authority itself, although such publicity should make this fact clear.
    - It is acceptable for local authorities to host publicity prepared by third parties such as blogs and with links to external sites, although those may need to be disabled during a period of heightened sensitivity.
    - It is acceptable for publicity prepared by third parties and hosted by local authorities to include a logo associated with a political party or particular member of the authority such as the leader, but publicity material relating to a particular member must not seek to affect public support for that individual.
  - (5) be appropriate



- Local authorities should not incur any expenditure in retaining the services of lobbyists in order to publish material designed to influence public officials, MPs or the government.
  - Publicity about local authorities and services should be freely available in accessible formats.
  - Local authority publicity should clearly identify itself as a product of the local authority.
- (6) have regard to equality and diversity
- Publicity may seek to influence attitudes on health, safety, crime prevention, equality, diversity and community issues.
- (7) be issued with care during periods of heightened sensitivity
- Particularly regard needs to be paid before elections and referendums, when the general rule is that no publicity should be issued which seeks to influence voters.
- (8) When deciding whether publicity may fall foul of the Act and the Code, the council should consider
- the content and style of the materials
  - the timing and circumstances of the materials
  - the likely effect on those to whom it is addressed
  - whether it refers to a political party or politician
  - whether it advocates a particular view that can be easily identified with a political party
  - if it is part of a campaign, the effect that campaign is designed to achieve.

### **Publicity of individual councillors**

2. Publicity about councillors may include their contact details, their political affiliation, the position they hold with the council and their responsibilities.
3. Publicity may include information about individual councillor's proposals, decisions and recommendations where this is relevant to their position and responsibilities within the council. Publicity of individual councillors should avoid personalisation of issues or personal image making.

### **Ward member of the council**

4. Ward councillors will be invited to attend public meetings and events organised by the council to consider a local issue and will also be kept informed of consultative exercises on local issues. Some events will involve some members in formal roles, i.e. take part in photo opportunities, make presentations or officially address an audience and members will be advised of what those formal roles are and who is involved in those at the time of invitation.
5. Nothing in this protocol shall prevent the normal publication of the details of members' surgeries on-line, in hard copy or in advertisements.

### **Visits by government, shadow ministers and other politicians**

6. It is open to government and shadow ministers to visit the borough at any time. However should the minister require assistance or access to any of the council's services or facilities, the visit will need to be arranged through official channels of the council **as set out below**. This will ensure that appropriate support is provided on the day.
7. To this end all such requests from government and shadow ministers must be referred to the director of communications who will promptly notify the chief executive of the request.
8. The director of communications will liaise with their counterpart at the relevant government department to ascertain the purpose of the visit. The director of communications in consultation with the chief executive and monitoring officer will authorise the visit if satisfied that the visit would assist the council in promoting one or more of its policies and or objectives or would be purely for fact finding.

**Events which involve government ministers or other political figures and shadow ministers should usually be led by the leader or cabinet member with the Mayor informed or invited to lead as appropriate. Ward councillors and leaders of all the political parties should be invited where possible and appropriate.**

#### **Visits by local and other Members of Parliament (MPs)**

9. There may be instances where local and other MPs who are not ministers will have a special interest in attending an event that is taking place in the borough. In this instance the MP in question may either be formally invited or merely informed about the event. Where the MP has not been specifically invited to attend, they should not expect to be treated as an "official" invitee.

#### **Promotional publicity**

10. Local authorities are authorised under the Local Government Act 1972 to publicise information as to the services provided by them or other local authorities in their area. Publicity can also be used to explain or justify the council's policies either in general, such as in the annual report, or on specific topics, for example as a background to consultation. However, any such publicity should comply with the principles of the code.

#### **Publicity of matters going before the cabinet, council assembly or any committee of the council**

11. All matters going before the cabinet or committees for decision are publicised five clear working days before the meeting or seven clear working days in the case of council assembly unless the report contains exempt information (i.e. information that has been judged by the proper officer as confidential) or unless a matter is considered urgent. Some matters will obviously generate more press interest than others. Where the press is interested in a matter that is to be the subject of a decision by the council, the director of communications in conjunction with the relevant chief officer and cabinet member may issue a press release explaining the reasons behind the recommendations. Any such press release must be factual and objective. Members may be asked by the media to comment on this press release but should remember that whilst criticism of ideas and opinion is part of the democratic process, a member must comply with the code of conduct.

12. Where there has been misinformation about any of the council's policies or objectives the director of communications is authorised to take any appropriate corrective measures.

### **Scrutiny**

13. Publicity about scrutiny will concentrate on factual information about which scrutiny exercises the council is conducting, who is involved, the process they will follow and the decisions they take. Where scrutiny suggests a course of action that differs to or challenges one agreed by the cabinet or any other council decision making body, this would be made clear in publicity together with the process for resolving the difference.

### **Contact with press**

14. As outlined in the code of conduct for employees, employees and other staff should not communicate with press and other media unless authorised by the appropriate manager to do so.

### **Press releases**

15. All press releases from the council must be agreed and signed off by the communications unit and issued either electronically or on council headed paper. Press releases containing quotes from members must be agreed and signed off by the appropriate member.

### **Social media**

16. It is acceptable for the council to host social media, such as a blog, which itself contains links to external sites where the content would not itself comply with the code. However care needs to be exercised in that such links do not:
  - contain content that may result in actions for libel, defamation or other claims for damages
  - be used to process personal data other than for the purpose stated at the time of capture
  - be used in an abusive, hateful or disrespectful manner.
17. However particular care must be taken during the period before elections and referendums to ensure that no breach of any legal restriction takes place. It may be necessary to suspend the hosting of material produced by third parties or public forums during such periods.
18. In addition, where members are present as voting members at any meeting where they are determining any application for any approval, consent, licence, permit or permission, they should not access the internet (except as it relates to the official business of the meeting), send or receive emails, text, messages or tweets concerning the business of that committee. Further advice is given by the monitoring officer's guidance 'A few top tips for members using social media' issued in September 2016. <http://thesource/tools-and-resources/communications/>

### **Publicity during periods of heightened sensitivity**

19. Candidates in an election or referendum should not be provided with any form of publicity during the period between the notice of an election and the election itself.
20. Any publicity should be objective, factual, not deal with controversial political issues and avoid personalisation of the issues or inappropriate personal image making.
21. The council should not produce publicity designed to influence the views of local people on petitions, referendums or specific proposals.

### **The role of the communications unit**

22. The communications unit works on behalf of the council and not for any political party. The purpose of its work is to provide high quality information about the council, its policies and its services and to maintain public confidence and where appropriate to protect and to promote the council's reputation. It aims to encourage better relationships with the local community. It is important to remember that all publicity and press releases are directed through the communications unit so these goals can be achieved.
23. The director of communications can advise members on how to deal with press enquiries, and how to arrange publicity for events, which can be properly publicised. Members have a remit to discover and make public inefficiency and poor public service; however, they should be careful where a matter they wish to make public relates to identifiable officers.
24. Publicity and information will cover areas such as why the council makes the decisions it does, and why other proposals are rejected. The communications unit will feature the decisions of the council, i.e. those decisions made by the council assembly, cabinet, scrutiny, planning or licensing committees, or those actions which have been taken within the broad policy framework already set by the council, subject to any call-in arrangements.

### **Obligations on officers in relation to documents being prepared for public consumption**

25. Council staff and resources must not be used to arrange proactive events, such as photocalls, if they would provide politicians with a platform to communicate with the public that would not otherwise be available to them.

When considering whether a communication or publicity is appropriate to be issued, officers should ask themselves whether the communication or publicity is objective, balanced, informative and accurate.

26. Where officers are uncertain as to whether a communication or publicity is appropriate they should seek advice from the communications unit and the monitoring officer.
27. If officers are concerned about the suitability of proposed publicity, they should seek to explain why and offer an alternative form of words. Again the communications unit or the monitoring officer can offer guidance on what would be appropriate.

### **The role of the Mayor**

28. The Mayor is the first citizen of the borough. They are responsible for promoting the council as a whole and representing the council in civic and ceremonial events.
29. The Mayor is also responsible for chairing meetings of the council assembly and interpreting the constitution as necessary. Where the Mayor is unable to act or the office is vacant, the Deputy Mayor will discharge all of the Mayor's duties except that the deputy may not chair meetings of the council assembly unless specifically appointed to do so.

### **Key spokespeople**

30. The role of the spokesperson is to present facts about council decisions, the context in which they were taken, actions, and issues faced by the council. Members who are key council spokespeople are the leader and deputy leader and cabinet members within their portfolio, the chair of overview and scrutiny committee, planning chair, licensing chair, chair of the audit, governance and standards committee. They will be quoted or featured in publicity where it relates to their responsibilities on the council.

### **Correspondence**

31. Generally correspondence from one member should not be copied to, or discussed with, another member without the member's consent subject to any rights of access arising from the Freedom of Information Act 2000 and the Data Protection Act 1998. If a member has sought advice from an officer and included a circulation list, it can be assumed that the officer's response can be circulated to those people on the circulation list for the original letter, even if that list includes other members.
32. This does not prevent officers copying letters to each other about casework across ward or interest boundaries in order to respond to a member inquiry. Points of general interest to all members may be converted into general advice, and circulated (within the limitations set down in the Data Protection Act). A chief officer is also able to advise a relevant cabinet member in general terms of an issue raised with the chief officer in correspondence, or otherwise, by another member.
33. Official letters from the council should normally be sent out in the name of the appropriate officer rather than a member. It may be appropriate for members to write in certain circumstances (e.g. representations to a government minister); however, this would be the exception rather than the norm. Letters which create obligations or give instructions should not be sent out in the name of a member.

### **Postage**

34. Preparation and postage of correspondence are a significant part of the support given to members. The content and purpose of letters, leaflets, and other correspondence must relate to the member's role in the authority. The members' services manager will arrange for monitoring arrangements to be put in place, and refer doubtful cases to the monitoring officer.

35. The use of council resources in the preparation and postage of the following kinds of post are not permitted:
- private mail including correspondence for other bodies
  - mailshots
  - letters sending out information (concerning planning application, refuse collection, etc) which is the responsibility of officers
  - letters which criticise other groups and their members or praise the writer or their political group
  - group publicity such as political party greetings cards.
  - greetings cards sent only to members of a particular party group.

For the avoidance of doubt, correspondence to residents about the location of surgeries by members who do not have a fixed location for their surgery shall not constitute a mailshot.

36. The question of what is a mailshot has proved problematic. Members are entitled to use council resources to respond to requests that their constituents have raised with them for action and explain what action has been taken, but not generally to publicise their work in the ward. Requests to send out large numbers of letters will have to show what demand is being responded to, and that the letter is a proportionate response to that demand. In any event, member services do not have the resources to send out more than one batch of such letters a month for any member. Members are reminded that this is a finite resource, and member services may need to limit the use of this if excessive costs are incurred. Further advice is given by the monitoring officer's guidance 'Correspondence and Mailshots' issued 8 May 2019: (<http://moderngov.southwark.gov.uk/documents/s82430/Correspondence%20and%20Mailshots%20MO%20Guidance%202019.pdf>).
37. Where members are uncertain as to whether a communication or publicity is appropriate they should seek advice from the director of communications and the monitoring officer in those cases.

## **Emails**

38. Email and internet access facilities are provided to members to support work on council related activities. The standards set out for officers in the use of emails apply equally to members. The key standards are that:
- any behaviour or comment that is not permitted in the spoken or paper environment is also not permitted in an email message
  - email messages should be inoffensive and should not be construed to harass
  - emails must not incite racial hatred or be pornographic in nature either in the body of the text or as an attachment
  - chain emails should not be forwarded on.
39. As a general rule, emails cannot be used for party political purposes but:
- emails organising the political group in relation to council business are allowed

- the use of the email address in a party political leaflet to advertise a ward surgery or as a means of allowing residents to contact their ward members on non-party political matters is allowed
  - emails to newspapers as a means of commenting on council business from the political group's perspective are allowed.
40. Members should note the requirements for social media are given in a previous section.
  41. Members should remember that emails may be subject to disclosure if a request is made under the Freedom of Information Act 2000.
  42. Any use of IT resources, including email and the internet, that contravenes any legislation (such as the UK GDPR, the Data Protection Act 2018; the Computer Misuse Act 1990; and the Copyrights, Designs and Patents Act 1988 (amended)); or breaches the general obligations of the code of conduct for members; or breaches council policies on information security is considered to be unacceptable. Members are responsible for the content of any email sent from your username and in certain circumstances the council may also be found liable for the content of such email.
  43. Emails and other personal information should be retained only for the minimum period necessary, in accordance with the UK GDPR and the Data Protection Act 2018. Further details on the UK GDPR and Data Protection Act 2018 in term of members' business use can be obtained from legal services.
  44. It is important that members manage the information that they store to ensure its availability, confidentiality and integrity. Therefore members should regularly review all council information (including files and email messages) they hold and delete all redundant or irrelevant data.
  45. Where a telephone number has been issued to a member or group of members it is expected that this number will be publicised except on political publicity material.
  46. Questions on legal issues relating to the interpretation of this guidance contact:
    - Doreen Forrester-Brown, Assistant Chief Executive, Governance & Assurance at [Doreen.forrester-brown@southwark.gov.uk](mailto:Doreen.forrester-brown@southwark.gov.uk)
    - Sarah Feasey Head of Law (Communities) at [Sarah.feasey@southwark.gov.uk](mailto:Sarah.feasey@southwark.gov.uk)
  47. Questions regarding media and preparing event or publicity materials contact:
    - Eddie Townsend Director of Communications, Engagement and Change at [Eddie.Townsend@southwark.gov.uk](mailto:Eddie.Townsend@southwark.gov.uk)

### **Useful links**

[Code of Conduct](#)

[Constitution.](#)

[Publicity Code](#)

## APPENDIX

Section 2 of the Local Government Act 1986 states:

- (1) A local authority shall not publish, arrange for the publication of or assist others to publish any material, which in whole or in part appears to be designed to affect public support for a political party
- (2) In determining whether material falls within the prohibition regard shall be had to the content and style of the material, the time and other circumstances of the publication and the likely effect on those to whom it is directed and in particular the following matters:
  - a) whether the material refers to a political party or to persons identified with a political party or promotes or opposes a point of view on a question of political controversy which is identifiable as the views of one political party and not of another
  - b) where the material is part of a campaign, the effect that the campaign appears to be designed to achieve.

Section 6 of the Act defines publicity and related expressions as “any communication in whatever form, addressed to the public at large or to a section of the public”.

The Act also makes provision for the Secretary of State to direct a local authority to comply with the Code.

Here is a link to the [code of recommended practice for local authority publicity](#).



<b>Meeting Name:</b>	Audit, governance and standards committee
<b>Date:</b>	13 November 2024
<b>Report title:</b>	Independent members of the audit, governance and standards (civic awards) sub-committee: Recommendations
<b>Ward(s) or groups affected:</b>	All
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	N/A
<b>From:</b>	Constitutional team

## RECOMMENDATIONS

1. That the committee notes the criteria set out below for inviting individuals to join the audit, governance and standards (civic awards) sub-committee ('the civic awards sub-committee') for evaluating nominations for the 2024 Civic Awards.
2. That the committee consider any recommendations they would have for individuals or groups to be invited to join the civic awards sub-committee.

## BACKGROUND INFORMATION

3. 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. Originally, the scheme was administered on behalf of the council by the Southwark Civic Association which made recommendations to the Standards Committee for the granting of Civic Awards. In 2015 council assembly resolved that the administration of the civic awards be carried out by the council itself.
4. The Civic Awards have evolved over time and now include:
  - The Liberty of the Old Metropolitan Borough of Bermondsey
  - The Liberty of the Old Metropolitan Borough of Camberwell
  - The Liberty of the Old Metropolitan Borough of Southwark
  - The Young Citizen of the Year Award
  - The Climate Champion Award
  - The Mayor's Discretionary Award
  - Southwark Together Award(s)
5. In March each year the civic awards sub-committee is convened to review nominations for awards and decide the recipients for the year. In order to

demonstrate transparency and to include a wider range of views, up to four individuals from outside of the council are invited to join the sub-committee. The formal criteria for selecting these 'lay' individuals was agreed in 2022 and are set out below.

## **KEY ISSUES FOR CONSIDERATION**

6. Council assembly wishes to see Southwark as 'a leader and serve as a beacon to others in demonstrating how to create the tolerant, open and mutually supportive society we want to see'. These values should be reflected in how independent members of the civic awards sub-committee are chosen.
7. As the role entails a one-off voluntary commitment, it is not appropriate to open up membership to a formal, public competition. Instead, independent members can be invited to join with invitations based on the following criteria.
8. Invitees should:
  - Have a good understanding of the borough and its diverse communities
  - Be familiar with the borough's Voluntary and Community Sector (VCS)
  - Be able to understand and evaluate nominations for Civic Awards
  - Not be a nominee or represent an organisation that is nominated.
9. As a group, the independent members should:
  - Have a gender balance
  - Reflect the cultural and ethnic diversity of the borough
  - Include at least one person under 25.
10. Officers considers that these are appropriate criteria and will be actively engaging with the VCS and others within Southwark to find people interested, and would welcome the audit, governance and standards committee's comments on the criteria and recommendations for people to contact.
11. The committee will be provided with a list of at least four individuals by the end of January 2023 so selection can be made in time for the civic awards sub-committee meeting in March 2023.

## **Policy implications**

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

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

### **Community impact statement**

13. The paper sets out relevant criteria for the selection of individuals with demonstrable knowledge and experience of the borough's diverse

communities and vibrant voluntary and community sector to contribute to the recognition and celebration of those who have made a significant contribution to the people of Southwark. This report is not considered to contain any proposals that would have an adverse impact on any particular community or group.

#### **Equalities (including socio-economic) impact statement**

14. This report ensures that the individuals invited to take part in the civic awards sub-committee are more broadly representative of the borough's population in terms of gender, ethnicity and age. The proposal does not exclude anyone possessing any particular protected characteristic and is not considered to contain any proposals that would have an adverse equalities impact.

#### **Health impact statement**

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

#### **Climate change implications**

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

#### **Resource implications**

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

#### **Consultation**

18. There has been no consultation on this report.

#### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

19. None required.

#### **BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
None		

## AUDIT TRAIL

<b>Lead Officer</b>	Doreen Forrester-Brown, Assistant chief executive, governance and assurance	
<b>Report Author</b>	Virginia Wynn-Jones, principal constitutional officer	
<b>Version</b>	Final	
<b>Dated</b>	5 November 2024	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments sought</b>	<b>Comments included</b>
Assistant chief executive, governance and assurance	No	N/A
Strategic Director of Resources	No	N/A
Cabinet Member	No	No
<b>Date final report sent to Constitutional Team</b>	5 November 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](mailto:virginia.wynn-jones@southwark.gov.uk)

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