

Audit, Governance and Standards Committee

Monday 3 February 2025

6.30 pm

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

Membership

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

Reserves

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

INFORMATION FOR MEMBERS OF THE PUBLIC

Access to information

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Contact

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

Members of the committee are summoned to attend this meeting

Althea Loderick

Chief Executive

Date: 24 January 2025



Audit, Governance and Standards Committee

Monday 3 February 2025

6.30 pm

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

Order of Business

Item No.	Title	Page No.

PART A - OPEN BUSINESS

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

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. CONFIRMATION OF VOTING MEMBERS

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

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

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

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

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

5. MINUTES

1 - 5

To approve as a correct record the minutes of the open section of the meeting held on 13 November 2024.

Item No.	Title	Page No.
6.	GOVERNANCE CONVERSATION: STRATEGIC DIRECTOR OF HOUSING	
	Hakeem Osinaike, strategic director of housing, to attend.	
7.	INTERNAL AUDIT PROGRESS REPORT FEBRUARY 2025	6 - 81
8.	AUDITOR'S YEAR END REPORT ON SOUTHWARK COUNCIL 2023-24	82 - 199
9.	FINAL STATEMENT OF ACCOUNTS 2023-24	200 - 372
10.	2024-25 Q3 REPORT OF THE CORPORATE ANTI-FRAUD TEAM (CAFT), FINANCE AND THE SPECIAL INVESTIGATIONS TEAM (SIT)	373 - 381
11.	ANNUAL REPORT ON CORPORATE RISK	382 - 395
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13.	REVIEW OF COMPLAINTS MADE UNDER THE MEMBERS' CODE OF CONDUCT IN 2024	401 - 405
14.	WHISTLEBLOWING COMPLAINTS AND OUTCOMES	406 - 420
15.	REPORT ON THE OPERATIONAL USE OF THE REGULATION OF INVESTIGATORY POWERS ACT 2000	421 - 429
16.	ANNUAL REPORT ON THE WORK AND PERFORMANCE OF THE AUDIT, GOVERNANCE AND STANDARDS COMMITTEE IN 2024-25	430 - 441
17.	ANNUAL WORK PROGRAMME FOR THE FOLLOWING YEAR (2025-26)	442 - 454
18.	APPOINTMENT OF NON-VOTING CO-OPTED MEMBERS OF THE CIVIC AWARDS SUB-COMMITTEE FOR 2024-25	455 - 457
	ANY OTHER OPEN BUSINESS AS NOTIFIED AT THE START OF THE MEETING AND ACCEPTED BY THE CHAIR AS URGENT	

EXCLUSION OF PRESS AND PUBLIC

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

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

PART B - CLOSED BUSINESS

Date: 24 January 2025



Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Wednesday 13 November 2024 at 6.30 pm at Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1 2QH

PRESENT:	Councillor Barrie Hargrove (Chair) Councillor Maggie Browning Councillor Dora Dixon-Fyle MBE Councillor Graham Neale Councillor Andy Simmons Councillor Michael Situ
OFFICER SUPPORT:	Rhona Cadenhead, interim assistant chief executive, strategy and communities Doreen Forrester-Brown, assistant chief executive, governance and assurance Hakeem Osinaike, strategic director of housing Tim Jones, director of finance Dionne Lowndes, chief digital and technology officer Fabio Negro, MD, Shared Technology Services Dominic Cain, director of customer and exchequer Roy Nolan, treasury strategic projects manager Paul Bergin, fraud manager Aaron Winter, BDO Angela Mason-Bell, BDO Fleur Nieboer, KPMG Amarjit Uppal, chief accountant Virginia Wynn-Jones, constitutional team

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Nick Johnson, from Philip Kent, KPMG, and from Caroline Watson.

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

The chair agreed to accept item 6a), Housing briefing on savings, as late and urgent.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

5. MINUTES

The minutes of the meeting of 5 September 2024 were agreed as a correct record.

6. GOVERNANCE CONVERSATION: ASSISTANT CHIEF EXECUTIVE FOR STRATEGY AND COMMUNITIES

Rhona Cadenhead, interim assistant chief executive for strategy and communities, presented to the committee. The committee had questions for the assistant chief executive.

The committee thanked Rhona for her conversation.

6. A) HOUSING BRIEFING ON SAVINGS

Hakeem Osinaike, strategic director of housing, presented to the committee. Members had questions for the strategic director.

Members thanked Hakeem for his presentation.

7. CYBER SECURITY UPDATE

Dionne Lowndes, chief digital and technology officer, and Fabio Negro, Shared Technology Services, presented the update. The committee had questions for the officers.

Officers undertook to bring an update to the June 2025 meeting of the audit, governance and standards committee, including every third party supplier listed.

RESOLVED:

That the committee noted the actions being taken in response to the BDO Audit, and their current status.

That the committee noted 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.

8. MEMBER ENQUIRIES UPDATE

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

RESOLVED:

That the audit, governance and standards committee noted the report, as attached at Appendix A of the report.

9. TREASURY MANAGEMENT STRATEGY AND CAPITAL STRATEGY 2025-26

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

The committee congratulated the treasury management team on a positive audit.

RESOLVED:

That the Audit, Governance and Standards committee noted 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.

10. INTERNAL AUDIT PROGRESS REPORT NOVEMBER 2024

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

Officers undertook to include information on TMOs such as Cooper Close and Haddon Hall in the governance conversation at the committee meeting in February 2025.

Officers undertook to work with the internal auditor to create a process to support avoiding delayed implementation rates by bringing officers to committee if required.

RESOLVED:

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

11. PROGRESS REPORT ON THE AUDIT OF THE STATEMENT OF ACCOUNTS 2023/24

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

Officers undertook to request a report from the strategic director of housing on the governance issues around major works for the February 2025 meeting of the audit, governance and standards committee.

RESOLVED:

That the audit, governance and standards committee noted the progress report on the audit of the statement of accounts 2023-24, as attached at Appendix A of the report.

That the audit, governance and standards committee noted the timeline for approval of the 2023-24 audited statement of accounts.

12. UPDATE: CORPORATE ANTI-FRAUD TEAM AND THE SPECIAL INVESTIGATIONS TEAM 2024-25 Q2

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

RESOLVED:

That the audit, governance and standards committee noted the 2024-25 Q2 report of the Corporate Anti-Fraud Team and the Special Investigations Team.

13. REVIEW OF THE MEMBERS' CODE OF CONDUCT UPDATE

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

RESOLVED:

That the committee noted 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.

14. REVIEW OF COMMUNICATIONS PROTOCOL

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

Officers undertook to update the communications protocol to maintain paragraphs 1 and 2 of the original, and to maintain the legal framework within the main text rather than in an appendix, and recirculate this to the committee.

RESOLVED:

That the committee considered the attached Communication protocol at Appendix A of the report.

The committee agreed to recommend the amendments to the Communications protocol to Council Assembly subject to the changes recommended above.

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

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

Officers undertook to bring an update of the committee's workplan to meetings.

Officers undertook to bring an item on members' training to a later meeting.

The committee undertook to pass on the details of any potential candidates to the clerk.

RESOLVED:

That the committee noted the criteria set out in the report for inviting individuals to join the audit, governance and standards (civic awards) sub-committee ('the civic awards sub-committee') for evaluating nominations for the 2024-25 Civic Awards.

That the committee considered any recommendations they would have for individuals or groups to be invited to join the civic awards sub-committee.

Meeting ended at 8.45 pm

CHAIR:

DATED:

Meeting Name:	Audit, governance and standards committee
Date:	3 February 2025
Report title:	Internal audit progress report February 2025
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Strategic Director of Resources

RECOMMENDATION

1. That the audit, governance and standards committee note the update reports, as attached at Appendix A and B.
2. That the audit, governance and standards committee agree the indicative internal audit programme for 2025/26 as attached at Appendix C.

BACKGROUND INFORMATION

3. This report informs the Audit, Governance and Standards Committee of progress against completion of the 2024-25 internal audit plans, and sets out the indicative Internal Audit programme for 2025/26.

Policy framework implications

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

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

Community impact statement

5. This report 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

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

Health impact statement

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

Further guidance

8. None required.

Climate change implications

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

Resource implications

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

Consultation

11. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

12. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix A	Internal audit progress report
Appendix B	Internal audit progress report: Supplementary report – follow up status details
Appendix C	Internal audit plan 2025/26

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Aaron Winter, Angela Mason-Bell, BDO		
Version	Final		
Dated	23 January 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments sought	Comments included
Assistant Chief Executive, Governance and Assurance		No	N/A
Strategic Director of Resources		No	N/A
Cabinet Member		No	No
Date final report sent to Constitutional Team			23 January 2025

INTERNAL AUDIT PROGRESS REPORT

London Borough of Southwark
2024-25

For presentation to the Audit, Governance
and Standards Committee 3 February 2025

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3. Executive summaries of reports finalised since the last meeting	9
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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.

INTERNAL AUDIT METHODOLOGY

Our work complies with Public Sector Internal Audit Standards.

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 all audits in the plan for 2024-25 and we continue to make good progress. 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.

In respect of the school internal audit plan for 2024-25, all audit fieldwork has been completed, and the reports for site visits undertaken in the Autumn and Spring terms are being written.

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

FOLLOW UP

Following discussions with the Strategic Director of Resources, we have revisited all long standing recommendations to evaluate the appropriateness of outstanding recommendations to gauge if these remain appropriate or have been mitigated by alternative means. Consequently, we have confirmed that all recommendations prior to 2022-23 have been completed or superseded. The recommendations relating to 2022-23 and subsequent years are deemed to remain necessary, and we will follow them up to satisfactory completion.

Of the 184 high and medium recommendations relating to 2022-23 to 2024-25 that have fallen due as of 31 December 2024, we have been able to confirm with reference to evidence that 166 have been fully implemented or superseded. This result represents an overall implementation rate of 90.2%.

The majority of recommendations that have not been implemented relate to 2023-24. Several recommendation target dates for both 2022-23 and 2023-24 continue to be revised multiple times which is preventing a better implementation rate.

Summary information on the status of recommendations 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

A draft internal audit plan for 2025-26 is included under separate cover in the Committee papers.

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
FINAL REPORTS - PREVIOUSLY PRESENTED TO THE AUDIT, GOVERNANCE AND STANDARDS COMMITTEE						
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	
TM01 - Cooper Close	Director, Resident Services	✓	✓	Final	Limited	Limited
TM02 - Falcon Point	Director, Resident Services	✓	✓	Final	Moderate	Moderate
Treasury management	Strategic Director, Resources	✓	✓	Final	Substantial	Substantial
FINAL REPORTS - EXECUTIVE SUMMARIES INCLUDED IN THIS PROGRESS REPORT						
Bankline	Director, Customer and Exchequer	✓	✓	Final	Substantial	Substantial
Climate Emergency	Climate Change Programme Director	✓	✓	Final	Moderate	Limited
IT - Change Management	Chief Digital & Technology Officer	✓	✓	Final	Substantial	Moderate
IT - Incident Management	Chief Digital & Technology Officer	✓	✓	Final	Substantial	Substantial

Audit	Director / Sponsor	ToR issued	Field work	QA / Reporting	Design	Operational Effectiveness
Pensions Administration	Head of Pensions Operations	✓	✓	Final	Moderate	Moderate
Pest Control	Director, Environment	✓	✓	Final	Substantial	Substantial
Planning Applications and S106 Agreements	Director, Planning and Growth	✓	✓	Final	Moderate	Moderate
Streets for People Strategy	Director, Environment	✓	✓	Final	Moderate	Substantial
Supported Families - Quarter Three	Strategic Director, Children and Families	✓	✓	Final	N/A - Grant	
TMO - Monitoring Checklist (advisory)	Director, Landlord Services	✓	✓	Final	N/A - Advisory	
TMO - Tower Towers (advisory)	Director, Landlord Services	✓	✓	Final	N/A - Advisory	
Youth and Play Service	Director, Leisure	✓	✓	Final	Substantial	Substantial

The table below includes the status of all remaining audits to be completed as part of the 2024-25 internal audit plan. A further update and summaries will be provided to the June 2025 meeting.

Audit	Director / Sponsor	ToR issued / Planning Status	Fieldwork / Timing (planned / in progress)	QA / Report
CHILDREN AND ADULT SERVICES				
Deputyships and Appointeeships	Director, Adult Social Care	✓	✓	Draft Report 24/01/25
Foster Carers	Director, Children and Families	✓	✓	
Payments to Children & Families	Director, Children and Families	✓	✓	
Substance Misuse	Director, Public Health	✓	✓	
Supported Families - Quarter Four	Director, Children and Families	✓	March 2025	
Traded Services	Director, Children and Families	✓	✓	
Waiting Lists	Director, Adult Social Care	✓	February 2025	
ENVIRONMENT, SUSTAINABILITY AND LEISURE				
Enforcement	Director, Environment	✓	February 2025	
Highways Maintenance	Director, Environment	✓	✓	

Audit	Director / Sponsor	ToR issued / Planning Status	Fieldwork / Timing (planned / in progress)	QA / Report
Street Lighting and Signs	Director, Environment	✓	✓	
Waste Contract / PFI	Director, Environment	✓	✓	
GOVERNANCE AND ASSURANCE				
Corporate Facilities Management	Assistant Chief Executive	✓	✓	✓ Report being drafted
Mayor's Office and Expenses	Head of Constitutional Services	✓	✓	Updated Draft Report 09/01/25
Payroll	Director, People and Organisational Development	Planning	March 2025	
Workforce Governance	Chief Executive / Assistant Chief Executive	✓	✓	
HOUSING				
Housing Applications and Allocations	Director, Landlord Services	✓	✓	
Temporary Accommodation	Director, Housing Needs and Support	Planning	March 2025	
Tenancy Audits	Director, Landlord Services	Planning	March 2025	
TMO - Gloucester Grove	Director, Landlord Services	✓	✓	Draft Report 18/12/24
RESOURCES				
Accounts Payable	Director, Customer and Exchequer	✓	✓	
Bribery and Corruption Controls	Strategic Director, Resources	Planning	March 2025	
Budget Monitoring and Reporting	Director, Corporate Finance	✓	✓	
Council Tax	Director, Customer and Exchequer	✓	✓	Draft Report 23/01/25
Housing Rents	Director, Customer and Exchequer	✓	✓	
IT - STS Financial Management	Chief Digital & Technology Officer	✓	✓	Draft Report 22/01/25

Audit	Director / Sponsor	ToR issued / Planning Status	Fieldwork / Timing (planned / in progress)	QA / Report
IT - Cyber Security Controls over Supply Chain	Chief Digital & Technology Officer	Planning	March 2025	
Leaseholder Service Charges	Director, Customer and Exchequer	✓	✓	
Suspense Account Management	Director, Customer and Exchequer	✓	✓	Draft Report 20/12/24
STRATEGY AND COMMUNITIES				
Emergency Planning and Resilience	Assistant Chief Executive/ Emergency Planning & Resilience Manager	✓	✓	✓ Report being drafted
Southwark 2030 and strategic planning	Assistant Chief Executive	✓	March 2025	

SCHOOLS INTERNAL AUDIT PROGRAMME

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

School	Status	Design	Operational Effectiveness
2023-24			
Victory Primary School	Final	Substantial	Moderate
2024-25			
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	Final	Moderate	Moderate
Highshore School	Final	Moderate	Moderate
The Cathedral School of St Saviour and St Mary Overie	Final	Moderate	Moderate
Nell Gwynn	Final	Moderate	Moderate
John Ruskin Primary School	Final	Substantial	Moderate
St Joseph's Catholic Infants School	Final	Moderate	Moderate
St Francis's RC Primary School	Final	Moderate	Moderate
Southwark Park Primary School	Draft Report 15/01/2025		
St Saviour's and St Olave's Church of England School	Draft Report 15/01/2025		
St John's and St Clement's Church of England Primary School	Draft Report 17/01/2025		

3. FINAL REPORTS - EXECUTIVE SUMMARIES

Bankline							
LEVEL OF ASSURANCE	SUBSTANTIAL		RECOMMENDATIONS	High	-		
				Medium	-		
				Low	1		
Purpose: To provide assurance that the processes and control framework are adequate for making payments (standard, CHAPS and IATs) via Bankline and to ensure that payments have been based on full supporting evidence requests and authorised in accordance with the Council’s authorisation schemes.							
Areas of strength: - Comprehensive and up-to-date procedures were in place to guide staff with completing and approving payments, relating to Bankline, Opening Bank Accounts and Closing Bank Accounts. - Through sample testing, we confirmed: - for non-treasury payments made through Bankline, payments were only made if they were urgent and needed to be processed on the same day through CHAPS. - an approved urgent payment notification was evident in each case and a valid reason documented to explain why the payment had not been processed in the standard way via BACS. - payments via Bankline had been subject to required dual authorisation, in accordance with the Council’s Scheme of Management. - for purchases of properties, the Treasury team had processed the payment only upon receipt of full completion documentation, including the completion statement and invoice, and a CHAPS form authorised by a signatory in legal services, in accordance with the Scheme of Management. - the BACS and CHAPs process is monitored by the Treasury team and there have no historical instances of duplicate payments. If an error was made, a BACS and CHAPS recall would be completed, and the payment recalled. No such cases were identified through our work. - Current staff members had the correct user access to Bankline that aligns to their job role and had not exceeded these responsibilities in practice. - Leavers access rights were being revoked on a timely basis. Area of concern: - We raised a low priority recommendation to formalise the records maintained for training new staff members on Bankline.							

Climate Emergency

LEVEL OF
ASSURANCE

MODERATE

LIMITED

RECOMMENDATIONS

High
Medium
Low

-
3
1

Purpose: To provide assurance over the adequacy and effectiveness of the governance and management of the delivery of the plans that underpin the Council's climate change strategy. We reviewed the arrangements in place to develop the new Climate Change Strategy 2025 such that it aligns to the Climate Resilience and Adaptation Strategy 2024 and Southwark 2030. We also reviewed the adequacy of staff and member training.

Areas of strength:

- Through sample testing, we confirmed that actions within the Climate Change Action Plan Tracker were supported by adequate evidence available of the reported progress. This included embedding identified outcomes into policy documentation across the Council.
- On a monthly basis, highlight reporting is made to the Corporate Change Board (a monthly meeting of CMT). This is for information purposes, but there is an option for the Climate Change Programme Director to add specific agenda items for steering, including the Climate Change 2025 Strategy review and the energy contract renewal.
- All actions from within the Climate Change Action Plan Tracker had a nominated director/head of service responsible for implementation, who was a current member of staff.
- The September 2024 report to Cabinet included an update on emissions and utilised the most recent data available from the Department of Energy Security and Net Zero. This showed a reduction in borough-wide emissions since 2020 of 24kt, to compare between 2018 and 2019 the reduction was 206kt, and between 2019 and 2020 of 15kt. Note, a best practice recommendation has been made following completion of a benchmarking activity in this area.

Areas of concern:

- Team meetings have taken place with colleagues to update actions, however we found a limited governance structure was in place to manage the delivery of actions and consider how to address ongoing delays. Previously, oversight of the action plan had included a management steering group and officer delivery group, but these ceased taking place since the previous Climate Director left the Council in February 2024, and there was no reassignment or allocation of responsibilities to another governance forum.
- In September 2024 an annual report was presented to Cabinet detailing updates to the action plan. At this time, 13 actions were rated as amber or red in relation to achieving agreed milestones, with 105 being rated green to show these were on track. There was limited information available to confirm what action was being taken to resolve those rated as amber and red.
- Our gap analysis of the Climate Resilience and Adaptation Strategy 2024 and Southwark 2030 identified a number of areas where coverage was inconsistent and not reflected in the Southwark 2030 goals and priorities.
- Training is not provided in relation to climate change and reduction. Through a review of other local authorities' websites, we identified specific areas where the Council could provide training and climate awareness activities.
- While annual reporting was completed on the climate strategy and reduction in emissions, benchmarking against other local authorities identified areas where this could be enhanced. The September 2024 annual report to Cabinet reported an overall reduction in emissions, however highlighted the issue of increased emissions from industrial and commercial sectors, indicating that the borough is off track to reach net zero by 2030.

The primary reason for the limited assurance opinion relates to the findings around the absence of clear action plans to address milestones that are not being met and the increasing emission in the borough, both increasing the risk that the council's targets of net zero by 2030 will not be met.

IT - Change Management

LEVEL OF
ASSURANCE

SUBSTANTIAL

MODERATE

RECOMMENDATIONS

High	-
Medium	1
Low	1

Purpose: To provide assurance that there are adequate procedures in place for the management and release of changes to IT applications and infrastructure that supports the Council's services, including shadow teams.

Areas of strength:

- The Change Management Policy covers all changes managed by STS and those initiated by external parties that may impact STS services, ensuring comprehensive registration, communication, and conflict avoidance. It mandates full adherence for STS and central application teams, while encouraging non-central ICT teams and external suppliers to follow the process with some flexibility.
- The change management process is well-structured, encompassing stages from pre-build to closure, with clear roles and actions. The use of the Hornbill system for recording and managing changes enhances efficiency. The Policy includes detailed procedures for various types of changes, risk assessment, and change notification, aligning with ITIL (Information Technology Infrastructure Library) best practices. This promotes accountability and continuous improvement through regular reviews, lessons learnt, and post-implementation reviews, ensuring a robust and effective change management framework.
- The Change Manager maintains a forward schedule, listing all requested changes and major work periods, which aids in effective planning and resource allocation.
- The approval process is robust, with the Change Advisory Board (CAB) meeting weekly to review and approve changes, while emergency changes are handled swiftly by the Emergency Change Advisory Board (ECAB). The recording of change outcomes as successful, partially successful, rolled back, failed, or cancelled provides a clear audit trail and facilitates continuous improvement.
- The roles and responsibilities within the process are well-defined, with the Change Manager overseeing the process, the Change Owner ensuring thorough documentation and risk assessment, and the CAB providing technical, business, and service assurance. This clear delineation of duties promotes accountability and ensures that changes are managed effectively from initiation to closure.
- Through sample testing, of change requests including Standard, Normal and Emergency changes, we confirmed that each request was thoroughly assessed for approval, risk, rollback procedures, and implementation plans. We noted that the procedures for implementing changes are structured, ensuring smooth execution with minimal disruption. Testing environments play a crucial role in identifying potential issues before they affect live services, while rollback plans provide a safety net for unforeseen problems. We confirmed that the process is followed correctly.

Areas of concern:

- The mechanisms for monitoring change progress and success are inconsistent and lack comprehensive coverage.
- There are no arrangements in place for recording meeting minutes for the weekly Change Advisory Board (CAB) meetings.

IT - Incident Management

LEVEL OF
ASSURANCE

SUBSTANTIAL

SUBSTANTIAL

RECOMMENDATIONS

High
Medium
Low

-
-
1

Purpose: To assess the effectiveness and efficiency of the Council's ICT Incident Management processes across the Council and IT shadow teams.

Areas of strength:

- An Inter-Authority Agreement (IAA) was established between the London Borough of Brent and London Borough of Lewisham in 2016, with the London Borough of Southwark joining in 2017. Section 3 of the agreement clearly defines critical Business-level systems that require continuous 24x7 support arrangements (ie, 24 hours per day, 7 days per week).
- The IAA clearly defines the criteria for all priorities (P0 to P4) of incidents and requests, along with the associated Service Level Agreement (SLA)/Key Performance Indicator (KPI) targets.
- The STS Major Incident Process document was last reviewed in July 2024 and contains a comprehensive process, with clear definitions of incident classification types, and relevant team responsibilities to be invoked during an incident and the chain of command.
- All P0 and P1 incidents are accompanied by a Major Incident report which is completed after the resolution of the issue and distributed to key personnel, including the Chief Digital & Technology Officer, Head of Technology Transformation (Technology and Digital Services) and IT Senior Leadership team. There have been 12 major incidents within the past 12 months and a sample of three Major Incident reports was requested for review. Documentation was of a consistent quality, contained detailed descriptions of the incident and were aligned to a standard template which is clear and easy to understand.
- The Major Incident reports also record any Change Management records that were associated with the issue, either as a trigger point for the origins of the incident or if Changes were required to remediate the incident. The collation of all relevant details will aid trending of major incidents e.g., repeated impacts to a particular application or part of the infrastructure, and influence Lessons Learned.
- A robust governance structure is in place to discuss operational issues and reporting metrics. Operational Management Group (OMG) meetings are held on a monthly basis, and incident management performance metrics against KPI targets are presented and discussed, as well as an assessment of incidents that occurred in the previous month in order to establish if improvements to SLA response times could be achieved. The reports include incidents owned by STS and incidents owned by "Suppliers", which refers to third parties responsible for the failing component, such as Microsoft etc.
- OMG reports provided demonstrated a noticeable improvement in the SLA metrics for P3 and P4 incidents/request following the IT Service Review audit conducted earlier in 2024.

Area of concern:

- We raised one low rated recommendation in relation to conducting a review of the method used to measure P1 and P2 Key Performance Indicators within the monthly OMG reporting decks, which is via totalised instances rather than a percentage of instances, as per the measurement of P3 and P4 incidents.

Pensions Administration

LEVEL OF
ASSURANCE

MODERATE

MODERATE

RECOMMENDATIONS

High 1
Medium -
Low -

Purpose: To provide assurance over the new Civica UPM system and associated processes embedded following the change in the system being utilised.

Areas of strength:

- Processes are designed to enable the efficient completion of pensions related tasks. Process maps are available for the processes held within the UPM system. A sample of five process maps were reviewed and were found to match the testing completed for other risk areas of the scope of this review.
- Updates to the UPM system are applied on the test server. Tests are completed and then approved by the team prior to uploading onto the main live system. Two substantive updates to the UPM had been implemented since April 2023. We confirmed for both of these that the correct process had been followed including testing on the test server, subsequent approval, and full implementation on the main live system.
- Users are added to the system based on requests from team managers. We reviewed all users on the system and found 46 total accounts. We found that 26 were AON users, who are undertaking some backlog work for the Council, this was an expected number, and no issues were identified. The remaining 20 were all current Council employees, with appropriate access for their roles.
- It was not possible to receive a report detailing all amendments to standing data, however we were able to receive information relating to all bank account changes since April 2023. While this is a limitation of the scope, bank account changes are the key risk area for amendments, and this was utilised as an alternative for testing and assurance is provided over the process. A sample of ten was tested and we confirmed that they had been processed correctly with correspondence sent to the pensioner where necessary confirming the change.
- It was not possible to receive a report of all Council opt outs of the pension scheme as these are processed as refunds and are marked as such in the system. The sample of 10 refunds from April 2023 was selected for testing from which we identified three opt outs. In the three opt out cases, the correct process had been followed, including completion of the opt out form and other documentation, and appropriate segregation of duties.
- For the same sample of 10 refunds we confirmed for all cases that a refund claim form was completed, a calculation completed and processed by one officer and approved by a second ensuring segregation of duties.
- For a sample of overseas pensioners we found that payments were being made to the Council's partner Convera, and the correct reference was attached to ensure they were paid correctly to the recipient.
- For a sample of pensioners who had died after April 2023, we found that all 10 were notified to the pensions team promptly, including by phone or weekly checks of the Gov.UK Tell Us Once system used by the Council. These were all actioned promptly, and correspondence sent out with required information, and once this was received final calculations made and approved before being shared with next of kin.

Area of concern:

- While payments had been made correctly to overseas pensioners, an annual existence check through issuing life certificates had not been completed for any pensioners paid by the Council. The Council currently pays pension payments into 72 overseas bank accounts.

Pest Control							
LEVEL OF ASSURANCE	SUBSTAINAL		RECOMMENDATIONS	High	-		
				Medium	-		
				Low	-		
Purpose: To provide assurance over the adequacy and effectiveness of the partnership management arrangements, delivery against KPIs and the extent to which income generated is meeting the Council’s expectations. We also assessed performance against the leisure and corporate facilities management SLAs in place for the delivery of pest control services.							
Areas of strength:							
	- A partnership agreement is in place which details roles and responsibilities in relation to reporting of data, KPIs, and schedule of payments to be made. The agreement includes the option to review charges on an annual basis. We conducted a benchmarking exercise between the partnership agreement and current working practices and found these matched. - We confirmed through review of management reports that KPIs were reported on a monthly basis to Croydon Council. These were collated by Southwark and issued to Croydon on a monthly basis and in a timely manner to reflect current performance. The most recent data from the 2024-25 Southwark KPI Performance and Data Report (dated November 2024) showed that the pest control team was meeting all targets set. Overall satisfaction for Q3 as of November 2024 was 96.33% against a target of 96%, true access rate for Q3 as of November 2024 is 97.84% against a target of 97%, emergency calls outs attended within four hours for Q3 as November 2024 is 100% against a target of 100%. - Our review of the Partnership Pest Control meeting minutes showed that discussions in relation to payments were completed and there were no unexpected dips. Croydon Council require financial certainty, and payments were being made as expected. We reviewed the income targets for 2023-24 and found that the outturn report confirmed that £293,858.10 was achieved. The forecasted income for 2024-25 is £312,675.62 against an expected income of £278,196.00 and as of September 2024 income of £66,153.48 had been achieved. The expected income is conservative based on the outturn report, whereas the forecasted income shows a strive to achieve a greater income and is based on reasonable assumptions, mostly being previous income performance. - In relation to the leisure and CFM SLAs, for September, October and November 2024 we confirmed that the Council achieved 100% for all KPIs for all three months. We reviewed the quarterly data for Leisure for Q2 and confirmed that the Council achieved 100% for all KPIs for this quarter. - We reviewed the internal income targets for the in-house team based on the leisure and CFM SLA, and the modelling work completed for the fees and charges and confirmed this was based upon reasonable assumptions and on target to be met. - The pest control team is committed to working with the other areas of the Council in the development of its fleet and using electric or hybrid vehicles and have confirmed this to Croydon as part of their management meetings.						
	Areas of concern:						
	No areas of concern were identified as part of this audit						

Planning Applications and S106 Agreements

LEVEL OF
ASSURANCE

MODERATE

MODERATE

RECOMMENDATIONS

High -
Medium 4
Low -

Purpose: To provide assurance on the adequacy and effectiveness of the control framework by reviewing compliance with Planning Regulations and monitoring of S106 agreements for financial and non-financial commitments from developers.

Areas of strength:

- A comprehensive governance framework, organisational structure, and scheme of delegation for planning applications and S106 agreements is in place. The Southwark Planning policy and process was reviewed against the national priorities and National Planning Policy Framework (NPPF) and tested by an independent inspector in 2021. There remains strategic alignment between the Council's planning policy framework and the new NPPF published in December 2023, with its emphasis on sustainable development.
- There are detailed procedures and validation checklists for the processing of planning applications, building control notifications, planning enforcement investigations and appeals embedded within 'Uniform,' the planning application system, and also Exacom, the database system that is used for validating the S106 obligations of the planning permissions granted. For a sample of ten planning applications including those with a S106 agreement, we confirmed that the policies and procedures as documented had been applied.
- Regular housekeeping management reports from Uniform which highlight the status of each stage of the planning application process are circulated to planning officers on a weekly basis to monitor progress. A real time performance dashboard on the progress of applications is embedded within Uniform, and this monitoring is available to the planning team. Income and expenditure of Planning Applications and S106 contributions are reconciled to SAP on a quarterly basis. The financial position is being reported to senior management on a quarterly basis, including unpaid S106 demand notices.

Areas of concern:

- Based upon sample testing, we identified a lack of transparency of data on Uniform to support complete and accurate charging and collection of planning fees prior to processing applications.
- During our review, the Exacom PFM presented a red flag that the database was undergoing testing, the data may not be accurate, funds may appear to be available to spend on Exacom, when in fact they may have already been utilised. Our review identified that work to improve the accuracy of the data held on Exacom has been ongoing since our previous internal audit in 2019-20, when the then discrepancy was in the order of £120m. We were advised that while there are still data inaccuracies within Exacom the current difference between SAP and Exacom is circa £1m. Management reporting could be strengthened.
- Our review of the list of S106 agreements uploaded to Exacom since April 2024 confirmed a total of £253,355 S106 funds has been collected from planning obligations in FY2024-25. While the FY2024-25 monies are available to spend, older funds may still appear to be available to spend on Exacom, when in fact they may have already been utilised. No comprehensive reporting to project managers is in place of the S106 funds held which have not been spent, prioritising funds that are close to expiry for allocation to specific projects and utilisation.
- Fees for planning applications, statutory and discretionary, are intended to be used to offset the costs of the planning application service. However, our review identified that the discretionary pre-application fees collected are not monitored against the planning officers time spent on specific projects.

Streets for People Strategy

LEVEL OF
ASSURANCE

MODERATE

SUBSTANTIAL

RECOMMENDATIONS

High	-
Medium	2
Low	1

Purpose: To review how the Streets for People Strategy 2023-2030 is being implemented across the Council, integration into existing and new plans, plus provide assurance on the adequacy and effectiveness of the governance, monitoring, and progress reporting arrangements.

Areas of strength:

- We confirmed that key stakeholders and their expectations were identified at the start of the project through two consultation exercises, with the approach clearly documented. Following the initial consultations the Council published a Consultation Report, which fed into the Streets for People Strategy, approved by Cabinet in July 2023. The Council has effectively engaged with the public and the Streets for People Strategy is clearly displayed on the Council's website and has been extensively promoted through press releases on Facebook, Instagram and local news publications.
- We confirmed that the Strategy aligns with Council objectives and that it is reflected in other Council Strategies/Plans such as the Climate Change Strategy and Southwark 2030. Based upon sample testing, we confirmed that information used and assumptions made in the Strategy were derived from appropriate sources and reconciled to supporting evidence.
- Strong governance arrangements are in place. We reviewed the memberships of the Boards and confirmed that they are reasonable and include officers from a variety of service areas and seniority. The Programme Board and Design boards were meeting regularly. For each meeting a highlight report was presented, which detailed the overall project RAG status as well as individual work stream progress. The risk rating for the project as a whole remained green throughout the testing period.
- The Strategy is primarily supported by a Delivery Plan, which was approved by Cabinet on 7 January 2025. The Delivery Plan sets out the approach for implementation on a zone-by-zone basis for the first year as well as the overall approach to delivery. Progress of the Delivery Plan will be monitored at the Boards. Given the timing of the implementation of the Delivery Plan, we were not able to review execution of the plan and therefore cannot provide assurance in this area.
- All available dashboards for August 2024 showed RAG ratings were green for the last two months apart from the dashboard for CPZ, which has an amber rating for the current status. Officers confirmed this was due to bad weather which had hindered the implementation of actions. The dashboard detailed that mitigations had been put in place.

Areas of concern:

- At the Design Board, officers present dashboards for each element of the work. The dashboards show work is assigned to project leads, target monitoring, the last and current RAG status, risks and their mitigations. Our review of the August 2024 report showed that there was no dashboard for Waste and Cleaning or Public Realm. This was due to a mixture of officer leave and failing to provide an update in time.
- The capital bid business case sets out the various project milestones and estimated costs for the delivery of the Strategy. The original proposal was rejected by Cabinet, an amended proposal solely for Year One was approved by Cabinet on 7 January 2025. Officers confirmed they did not have a contingency plan in place if the bid was rejected. Furthermore the capital bid business case does not state what would happen if funding was not allocated.
- Terms of reference for the Boards and Active Travel Panel and an Expert Design Panel need updating to include quoracy and frequency.

Supported Families - Quarter Three (1 October 2024 to 31 December 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 October 2024 to 31 December 2024, we verified for our sample of 21 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 seven of the 21 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 two claims, review of the Council's evidence summary identified that the name in the summary had been mistakenly recorded incorrectly. However, we confirmed through source documentation within the Mosaic (case management system) record that the correct details for the family member had been included to demonstrate a successful outcome had been achieved. Therefore, we determined that this did not constitute an exception to prevent submission in either instance.

TMO - Monitoring Checklist

LEVEL OF
ASSURANCE

N/A - ADVISORY

N/A - ADVISORY

RECOMMENDATIONS

High -
Medium -
Low -

Purpose: To conduct an advisory piece of work to support management to create a contract monitoring checklist against which the Council can monitor the TMOs specifically against the provisions and requirements of the MMA.

Summary of work completed:

- Through analysis of the UK standard/template MMA, review of best practice guidance, and examination of our previous audit findings, we have identified several key areas for management to consider. After reviewing all eight chapters of the Modular Management Agreement, we have crafted a set of 31 questions that we suggest management could consider as part of their contract monitoring processes.
- In our analysis, we examined all six Tenant Management Organisations that have undergone audit reviews for the financial years 2023/24 and 2024/25 to date. This involved analysing 51 recommendations from the audits of these TMOs.
- These questions are designed to assist in the monitoring of key operational areas. They include general administrative provisions, repairs, rent collection, service charges for leaseholders and freeholders, financial management, contractor management, performance reviews, and governance.
- By taking on board these considerations, a checklist can be designed to ensure that Tenant Management Organisations (TMOs) are fulfilling their duties in accordance with the roles and responsibilities outlined in the MMA.

TMO - Tower Towers

LEVEL OF ASSURANCE

N/A - ADVISORY

N/A - ADVISORY

RECOMMENDATIONS

High	3
Medium	7
Low	3

Purpose: The advisory review was to independently verify the Council's concerns over the governance arrangements and financial position (including payroll, external decorations and other liabilities) at Two Towers Tenancy Management Co-operative. As an advisory review, an assurance opinion was not provided.

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.
- Our review of the Management Modular Agreement (MMA) confirmed that both the Council and the TMO had signed copies of the agreement, indicating they have read and understood it. We obtained payment schedules from the Council for the years 2010 to 2022. These schedules confirmed the breakdown of allowances and detail the various payments made to the TMO by the Council.
- We obtained budgets from the TMO for the years 2018 to 2022, which confirmed that the TMO provided their budget to the Council at the beginning of the relevant financial years. Our testing of five random quarters from 2018 to 2022 confirmed that the TMO have provided TMO quarterly performance reports to the Council which clearly detail funds held and funds spent. We confirmed with the TMO that they maintain a separate Reserve Fund in a dedicated major works bank account for external decorations and major works.

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 Management Modular Agreement (MMA) does not reference external decorations, only redecorations. Responsibilities for external decorations were therefore not clearly defined.
- We could not confirm that any assessment of required employee or Management Committee training had been undertaken or training delivered, as no evidence was provided to us by the TMO at the time of the request.
- The TMO provided us with 50 invoices to evidence external decorations transactions totalling £110,640 between 2020 and 2021. However, the TMO failed to maintain adequate records to confirm the spend was suitable to support external decorations and the requirements of external decorations by the Council.
- Throughout our testing, we could not evidence financial statement of accounts and balance sheet for the year ended 2021 from the TMO as required by the MMA.
- There was no evidence to confirm that a Council officer attended any of the five randomly selected quarterly board meetings from 2018 to 2022. Additionally, we could not confirm that an officer attended one out of five of our randomly selected AGM meetings.
- Our testing of a random sample of five quarterly Board meetings identified that the financials for all quarters were not included as a standard agenda item.
- There is no detailed additional documented procedure which sets out the process the Council will follow when recovering funds that have been used in error. As the Council currently have a repayment plan in place with the TMO and this process would be beneficial to be defined.
- We tested a random sample of recruitment exercises from the last five years against the process detailed in the MMA. The TMO could not provide evidence of any offer letters, advertisements, or interview notes on file to support compliance with said processes.

Youth and Play Service

LEVEL OF
ASSURANCE

SUBSTANTIAL

SUBSTANTIAL

RECOMMENDATIONS

High
Medium
Low

-
-
3

Purpose: To provide assurance over the adequacy and effectiveness of the governance, health and safety risk management and financial controls relating to the Youth and Play Service. The Council is conducting an ongoing review of playgrounds following an equipment malfunction. Therefore, this audit concentrated specifically on Youth Centres. We also benchmarked the Council's service provision to identify whether it is in line with neighbouring Borough's.

Areas of strength:

- The Public Health Division compiled a data pack in April 2023 to identify the needs of children and young people in Southwark. The suggested actions of the review were incorporated within the 2024/25 Service Plan, which also acknowledges the strategic priorities outlined by the Youth Deal, Council Plan and Leisure Directorate.
- There is an ongoing programme of health and safety risk assessments. We completed a site visit for a sample of two out of the six sites within the scope of this audit (Damilola Taylor and New Venture) and verified the adequacy of health and safety arrangements, including first aid, incident recording and Health and Safety Law displays.
- A quarterly-updated statutory compliance spreadsheet is maintained, and we confirmed that the record included the six sites within the scope of this audit, along with the latest status of their fire, asbestos, gas, water and electrical risk assessments. We confirmed that all required risk assessments had been completed and certifications retained.
- Appropriate staff vetting procedures had been applied and staff lists were complete and accurate. The Youth and Play Service Handbook (2024-27) outlines the requirement for staff to complete mandatory, service, and job-level specific courses, which are outlined in a corresponding Training Plan for 2023-25. A specific first aid training log is maintained.
- There are several monitoring mechanisms for the commissioning programme, including quarterly returns, quarterly providers meetings and monthly budget monitoring, which we found to be operating in practice. Cabinet member briefings are held monthly or at key points in the calendar, which include strategy, performance and financial summaries.

Areas of concern:

- A documented scoring methodology is used to assess applicants as part of the commissioning programme. However, there is no set procedure to follow if two or more applicants receive the same score, but there are not enough places on the programme to select everyone.
- We identified at Damilola Taylor that the Portable Appliance Testing (PAT) of electricals was completed in February 2023 and the certificate expired in February 2024. As there is no legal requirement regarding frequency of PAT tests, the Council has a two-year tolerance. This has not been documented in the Council's policies, and no interim user checks defined.
- The Council has a suite of 21 baselines KPIs, nine of which are monitored each quarter and the rest at year-end. The KPIs are not RAG rated to visually indicate whether they are on track. The KPI for survey responses is set at a target of 300 responses, which may be unrealistic when compared with the number of individuals who engage with the service.
- The current Council-wide position regarding DBS checks is to complete the check once during recruitment or at commencement of the employee's role. Following this, annual self-declaration forms are completed. The Youth and Play Service has previously raised concerns over the sufficiency of this process, and an ongoing corporate review is being undertaken. We have raised an observation regarding this process, and referenced previous recommendations raised during the 2023-24 BDO internal audit of Staff Recruitment and Vetting.

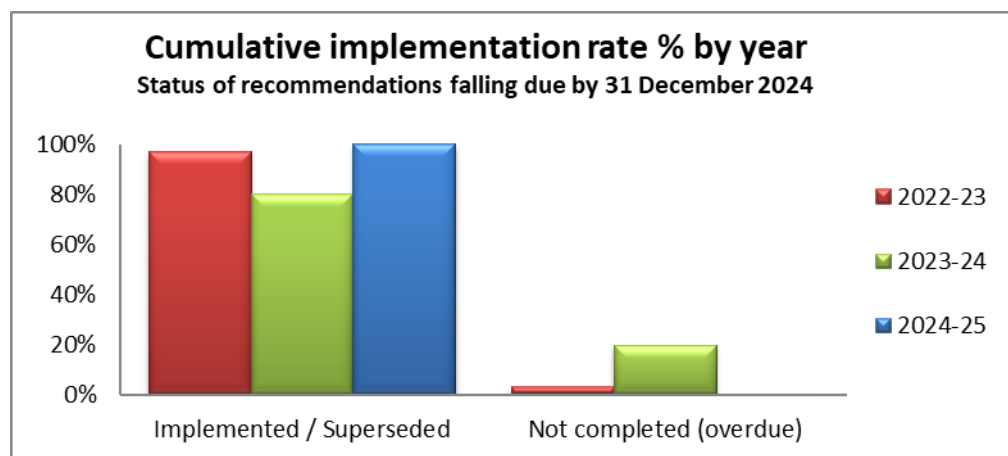
6. SUMMARY OF RECOMMENDATIONS STATUS

We have confirmed that all recommendations relating to the years 2017-18 to 2021-22 have been implemented or superseded. To focus our reporting, these recommendations have been fully removed from our summary figures and graphs.

Of the 184 high and medium recommendations relating to 2022-23 to 2024-25 where the planned implementation date has passed on 31 December 2024, we have been able to confirm with reference to evidence that 166 have been fully implemented or superseded. This represents an implementation rate of 90.2%.

The majority of recommendations that have not been implemented relate to 2023-24. Several recommendation target dates for both 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 2022-23 to 2024-25.



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 - NOT YET FULLY COMPLETED

Please note that where the previously revised implementation dates have not yet fallen due at the time of writing that these recommendations will be followed up in April 2025 as part of our year end reporting.

Audit Area	Total H & M	Implemented		In progress		Awaiting update/ evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
Childrens and Adults Directorate									
2022-23 Safeguarding Adults	2	-	-	-	2	-	-	0%	~~November 2023~~ ~~January 2024~~ ~~March 2024~~ ~~August 2024~~ January 2025
2023-24 Legal Fees	2	-	-	-	2	-	-	0%	~~June 2024~~ January 2025
Environment, Sustainability and Leisure directorate									
2023-24 Tree Management Services	4	-	3	-	1	-	-	75%	~~July 2024~~ April 2025
Governance and Assurance									
2022-23 Member Officer Protocol	2	-	1	-	1	-	-	50%	~~October 2023~~ ~~March 2024~~ ~~June 2024~~ ~~September 2024~~ March 2025
2022-23 Supplier Resilience	5	1	3	-	1	-	-	80%	~~August 2023~~ ~~October 2023~~ ~~January 2024~~ February 2025
2023-24 IR35	8	3	5	3	5	-	-	0%	~~July 2024~~ February to May 2025
Housing Directorate									
2023-24 Social Housing White Paper	1	-	-	-	1	-	-	0%	~~July 2024~~ March 2025
Resources Directorate									
2023-24 Cyber Security	5	1	1	2	1	-	-	40%	~~August 2024~~ ~~December 2024~~ May 2025

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

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

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 3 February 2025

INTERNAL AUDIT FOLLOW UP - STATUS UPDATE DETAILS

As stated in our progress report, of the 184 high and medium recommendations relating to 2022-23 to 2024-25 that have fallen due as of 31 December 2024, we have been able to confirm with reference to evidence that 166 have been fully implemented or superseded. This result represents an overall implementation rate of 90.2%.

The majority of recommendations that have not been implemented relate to 2023-24. Several recommendation target dates for 2023-24 continue to be revised multiple times, which is preventing a better implementation rate.

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 January 2025 onwards, we will follow up implementation again in April 2025 as part of our year end reporting.

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
Children's and Adults Directorate		
2023-24 Direct Payments		
2.1 The Council should introduce a comprehensive service user ID verification checks procedure and management checks to ensure ID verification checks are completed thoroughly. Identification verification checks typically include: - Proof of Identity with photo: passport, driver's licence, freedom pass. - Proof of address: utility bills, lease agreement or other official documents. - National Insurance number. - NHS Number. - Date of Birth: Evidence the date of birth for age related services. - Signature verification: ensure the user's signature matches their identification documents. We advise that the Council's anti-fraud team is consulted on how this might be best implemented. Medium	Head of Service, PB&CF Unit ~~October 2024~~ ~~December 2024~~ To be followed up again in October 2025	In progress. Internal conversations have been taking place between the ASC department and Anti-Fraud services to agree a robust process and operating procedure. It is envisaged that the procedure will be implemented in Q2 or Q3 2025/26.
Resources Directorate		
2023-24 Cyber Security		
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. b) Apply the principle of least privilege by ensuring that users have only the access necessary to perform their duties. Where possible,	Chief Security Officer, Shared Technology Services ~~November 2024~~ March 2025	a, b and c: After review of evidence provided, we have marked this recommendation as implemented. We were advised by the Cyber Security Advisor: d: Incident Response plan is currently under review. A plan to schedule a tabletop exercise and review will be scheduled and Mid-February

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
downgrade excessive privileges and consider using role-based access control (RBAC) to manage permissions more effectively. 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. d) Update the incident response plan to include specific procedures for responding to incidents involving misuse or compromise of domain administrator accounts. High		2025. With the aim of all results and actions implemented by end of March 2025.
3 a) The Council should determine an appropriate percentage of staff that should complete the annual cyber security training (best practice would be 98%). 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: - Identifying specific staff members who are required to complete the training and working with their line managers to ensure completion. - Ensuring regular, top-down communication to increase awareness of the training. - Requiring completion of the e-learning before issuing new devices to individuals or as part of performance and progression reviews. 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. d) Develop enhanced reporting mechanisms that can segregate data between LBS staff and agency staff, providing clear and distinct compliance figures for each group.	Chief Security Officer, Shared Technology Services ~~September 2024~~ July 2025	We were advised by the Cyber Security Advisor: a: Mimecast has been deployed - and 72% have completed this. We will require further 3 months to reach 98%. Please note - These are back office staff. For Front Line staff and Councillors specialist training will be provided in the future and will require further 6 months for in room training to be provided. b: New Head of Cyber Security is in post. The ability to track completion is in place. However, some users are not being linked due to an issue with synchronisation without Active Directory. This will be reviewed as part of point C) a full Active Directory review and cleanup exercise. A comms plan will be developed to ensure ongoing comms on the importance of Cyber Security. Head of Cyber Security did provide a Cyber Security Presentation to Comms Champions across the council on Wednesday 15th Jan 2025. d: The segregation of permanent vs agency staff will be looked into as part of the review of the Training and Active Directory review / clean up. e: After review of evidence provided, we have marked this recommendation as implemented.

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
e) Improve monitoring and reporting mechanisms to ensure that all devices are consistently and effectively protected by the AV solution. High		
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. b) The policy should include, but not be limited to, the following elements: • Roles and responsibilities for cyber security within the Council and STS • User access controls and management • Data protection and privacy measures. • Incident response and reporting procedures • Third party supplier relationships • Regular review and updating of security measures • Training and awareness programs for all staff members. c) The policy should be communicated to all members of the Council and be readily accessible. Medium	Chief Security Officer, Shared Technology ~~August 2024~~ ~~December 2024~~ May 2025	We were advised by the Cyber Security Advisor: The new Head of Cyber Security is in post and a Cyber Security Strategy has been drafted and pending review for the new Head of Cyber Security. A complete review and development of the information security policies will be looked into as a whole. The plan is to ensure we have a policy structure aligned to ISO27001 to cover the topics that have been recommended.

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INTERNAL AUDIT PLAN

London Borough of Southwark

2025/26



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AUDIT RISK ASSESSMENT

BACKGROUND

Our risk-based approach to internal audit uses London Borough of Southwark's (the Council) own risk management process and risk register as a starting point for audit planning as this represents the Council's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects the Council's current risk profile.

PLANNED APPROACH TO INTERNAL AUDIT 2025/26

The indicative Internal Audit programme for 2025/26 is set out on pages 6 to 18.

In developing the plan, we reviewed the Council's key strategies, plans and priorities (including Southwark 2030), and factored in the operating environment, new legislation and regulations. We also considered the key risks identified in the Council's Corporate and Directorate Risk Registers.

We met with the Strategic Directors, Assistant Chief Executives and attended Directorate Management Teams to identify the priorities for the plan. The draft plan was presented to the Corporate Management Team (CMT) on 21 January 2025. The plan is now presented to the Audit, Governance and Standards Committee for formal review and approval at the meeting on 3 February 2025.

The plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks would be looked at over a three-year audit cycle. We have suggested future areas of focus as part of the three to five year strategic internal audit plan, set out on pages 19 to 30. The tables on these pages also include audits completed in previous five years, for reference.

We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.

INDIVIDUAL AUDITS

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the Council. Where revisions are required, we will obtain approval from the appropriate Director prior to commencing fieldwork.

In determining the timing of our individual audits, we will seek to agree a date which is convenient to the Council, and which ensures availability of key management and staff and takes account of any operational pressures being experienced.

VARIATIONS TO THE PLAN

As in previous years, we have reviewed the strategic plan each year to ensure it covers your corporate and strategic risks and opportunities, and that it reflects any changes in organisational structure and new projects and priorities. Over the coming pages we have mapped your key risks to the audit work we propose to undertake, demonstrating we are focussing on your most important issues.

As such, our strategic audit programme follows the risks identified during our planning processes and confirmed via discussions with Directors and CMT. If these were to change, or emerging risks were to develop during this period, we would take stock and evaluate our coverage accordingly.

OUR NEXT GEN INTERNAL AUDIT APPROACH

Our innovative Next Gen approach to internal audit ensures you maximise the potential added value from BDO as your internal audit provider and the expertise we bring from our dedicated Public Sector Internal Audit team and wider BDO specialist teams.

The Next Gen approach allows us to deliver a healthy mix of assurance that is forward looking, flexible and responsive and undertaken in partnership with yourselves. The key components to this approach are outlined below and underpin our proposed plan coverage:

CORE ASSURANCE

Reviews of fundamental finance and operational systems to provide assurance that core controls and procedures are operating as intended.

SOFT CONTROLS

Reviews seek to understand the true purpose behind control deficiencies and provide a route map to enhance their effectiveness.

FUTURE FOCUSED ASSURANCE

Rather than wait for implementation and then comment on identified weaknesses, we will work with you in an upfront / real time way.

FLEXIBLE AUDIT RESOURCE

Undertake proactive work across the Council, perhaps in preparation for regulatory reviews or change management programmes.



MAPPING YOUR STRATEGIC RISKS

REF	STRATEGIC RISK AREAS FROM YOUR CORPORATE RISK REGISTER (CRR)	LIKELIHOOD	CONSEQUENCE	NET SCORE	RATING
1	Housing Revenue Account	9	7	89	
2	Asset Management and Building Safety	6	7	68	
3	Climate Emergency	7	7	76	
4	Schools and Education	8	5	70	
5	Acute Socio-Economic Factors	8	5	70	
6	Cost of Living Crisis	7	5	61	
7	Cyber Security, IT, Data and Information Management	7	6	69	
8	Recruitment, Retention, Resources and Capacity	9	6	84	
9	Medium Term Financial Planning	8	6	77	
10	Key Providers and Partners	7	5	61	
11	Capital Programme and Major Projects	9	8	93	
12	Unforeseen Major Event	8	5	70	
13	Health & Safety	7	5	61	

MAPPING YOUR CORPORATE RISK REGISTER TO THE STRATEGIC PLAN

In the table below we have highlighted those audits that directly relate to the Council's corporate risk register (January 2025). The directorate risk registers will also be used when scoping the audits in the plan.

REF	STRATEGIC RISKS FROM YOUR CRR	2024/25 - FOR REFERENCE	2025/26	2027/28 - POTENTIAL AREAS
1	Housing Revenue Account	Housing Revenue Account	-	Housing Revenue Account
2	Asset Management and Building Safety	- Asset Management Statutory Compliance - Tenancy Audits	- Asset Management Systems - Building Safety	-
3	Climate Emergency	Climate Emergency	-	-
4	Schools and Education	- Schools Assurance Programme - Traded Services	- Schools Assurance Programme - School Admissions	Schools Assurance Programme
5	Acute Socio-Economic Factors	Treasury Management	- Change Programme - Fairer Future Procurement Framework - No Recourse to Public Funds	Financial Planning
6	Cost of Living Crisis	Southwark 2030 and Strategic Planning	Equality, Diversity and Inclusion / Southwark Stands Together	-
7	Cyber Security, IT, Data and Information Management	- IT Audits - Information Requests	IT Audits	IT Audits

MAPPING YOUR CORPORATE RISK REGISTER TO THE STRATEGIC PLAN

REF	STRATEGIC RISKS FROM YOUR CRR	2024/25 - FOR REFERENCE	2025/26	2027/28 - POTENTIAL AREAS
8	Recruitment, Retention, Resources and Capacity	• Workforce Governance	• Equalities, Diversity and Inclusion / Southwark Stands Together	• -
9	Medium Term Financial Planning	• Budgetary Control • Key Financial Systems • Treasury Management <i>Financial planning and budgetary control are considered in service / operational reviews where appropriate.</i>	• Key Financial Systems	• Financial Planning • Key Financial Systems
10	Key Providers and Partners	• Waste Management <i>Risk of provider failure will be considered within specific service / operational reviews where appropriate.</i>	• Contract Management • Procurement • Social Care Contract Management	• -
11	Capital Programme and Major Projects	• -	• Capital Programme Management	• Major Regeneration Programme
12	Unforeseen Major Event	• Emergency Planning	• -	• Business Continuity and Disaster Recovery
13	Health & Safety	• Substance Misuse	• Corporate Health and Safety	• Tree Management Service

INTERNAL AUDIT OPERATIONAL PLAN 2025/26

REF.	AREA	TYPE OF REVIEW	AUDIT SPONSOR	DAYS	TIMING	OUTLINE DESCRIPTION	REASON FOR INCLUSION
Children and Adult Services							
CAS10	Hospital Discharges	Core	Director, Adult Social Care	20	Q3	A review of the management of hospital discharges, to ensure that suitable care is provided and funded.	Cyclical Audit.
CAS06	Nursing and Residential Care	Core	Director, Adult Social Care	25	Q1	Following the introduction of the new residential care charter and new contracts with care homes and providers, we will review whether the price being paid is fair, can required needs be met, and is the Council sufficiently supported financially by health (via joint funding). A focus on those with complex health needs.	Cyclical Audit. New Charter and Contracts.
CAS03	Short Breaks and Respite Care	Core	Director, Adult Social Care	20	Q2	A review of whether short breaks are managed and allocated fairly. Provision includes overnight short break provision via a Direct Payment or for Older persons respite in a care home; targeted short breaks, clubs and activities funded by Adult Social Care and daycentres provision, funded or run by ASC.	Cyclical Audit
CAS45	School Admissions	Core	Director, Children and Families	15	Q2	Assurance that the Council is meeting its statutory duties with regards to school admissions	Cyclical Review Related Directorate Risk
CAS22	Supporting Families	Core	Director, Children and Families	10	Q2 & Q4	The DfE is removing the Payment by Results for the Supporting Families	Requested by Children and Adults Board

REF.	AREA	TYPE OF REVIEW	AUDIT SPONSOR	DAYS	TIMING	OUTLINE DESCRIPTION	REASON FOR INCLUSION
						grant from April 2025, therefore the audit requirements are likely to change. We will provide assurance that the Council continues to have strong controls in place.	
CAS48	Travel Assistance	Core	Director, Children and Families	25	Q1	Review of the application of the Council's policies, including due diligence on eligibility, contracting with providers, review and monitoring of expenditure incurred. It will include review of the management and monitoring of direct payments in respect of Home to School Transport.	Cyclical Review
TBC	Public Health	Core	Director, Public Health	20	Q2	Following the development of new priorities, the area of focus for internal audit is to be agreed.	Cyclical Review
SCH01	Schools Assurance Programme	Core	Director, Children and Families	140	Spring, Summer, Autumn Terms	Assurance on the Council's maintained schools' governance, financial systems and controls, including budget management, deficit recovery plans, procurement and purchases, payroll, and income. All schools are subject to an internal audit at least once in every four years, the nature of the audit is determined in discussion with the Director, Children and Families, Finance and School Improvement.	Corporate Risk
Total				275			

REF.	AREA	TYPE OF REVIEW	AUDIT SPONSOR	DAYS	TIMING	OUTLINE DESCRIPTION	REASON FOR INCLUSION
Environment, Sustainability and Leisure							
ESL02	CCTV	Core	Director, Environment	15	Q1	Review of the Council's arrangements to provide assurance that it is meeting CCTV legislation and regulation.	Cyclical Audit
ESL10	Commercial Waste	Core	Director, Environment	20	Q2	Assurance on the contract management arrangements over commercial waste to support the Council's objectives.	Cyclical Audit
ESL14	Trading standards, food safety and health & safety	Core	Director, Environment	20	Q3	Review of the Council's arrangements to provide assurance that it is meeting its legislative and regulatory responsibilities.	Cyclical Audit
ESL26	Culture and Events	Core	Director, Leisure	20	Q2	Assurance that the Council's Culture and Events policies and procedures are being applied consistently, and that all income due is being identified and properly accounted for.	Cyclical Audit
ESL31	No Recourse to Public Funds	Core	Director, Stronger Neighbourhoods	20	Q3	A review of the management of NRPF, including awareness of when it applies and due diligence on funding and contributions.	Cyclical Audit

REF.	AREA	TYPE OF REVIEW	AUDIT SPONSOR	DAYS	TIMING	OUTLINE DESCRIPTION	REASON FOR INCLUSION
Environment, Sustainability and Leisure							
ESL24	South Dock Marina	Core	Director, Leisure	20	Q3	A review of the operational management of the Marina, including allocation of berths, income collection, and health and safety.	Cyclical Audit
Total				115			

REF.	AREA	TYPE OF REVIEW	AUDIT SPONSOR	DAYS	TIMING	OUTLINE DESCRIPTION	REASON FOR INCLUSION
Governance and Assurance							
GA75	Equalities, Diversity and Inclusion / Southwark Stands Together	Soft Controls	Assistant Chief Executive / Director, People & Organisational Development	25	Q2	Review of the governance, delivery of outcomes and budget management of the Southwark Stands Together pledges and workstreams	A cornerstone of cultural change incorporating Southwark’s commitment to becoming an anti-racist organisation.
GA22	Health and Safety	Core	Director, People & Organisational Development	20	Q3	Review of corporate health and safety governance and management systems, including policies and procedures, risk assessment, training, data quality and reporting.	Corporate Risk
GA16	Payroll	Core	Director, People & Organisational Development	20	Q2 & Q4	Healthcheck of the continued operation of key controls, using data analytics where possible.	Key Financial System
Total				65			

REF.	AREA	TYPE OF REVIEW	AUDIT SPONSOR	DAYS	TIMING	OUTLINE DESCRIPTION	REASON FOR INCLUSION
Housing							
H11	Asset Management Systems	Core	Director of Repairs & Maintenance	25	Q3	Assurance over the accuracy and completeness of asset records maintained on the new True Compliance system, including property information, and statutory inspections.	Corporate Risk, new system
H16	Building Safety	Core	Director of Repairs & Maintenance	25	Q2	Review of the Council's governance, management and record keeping that support the Council's compliance with Building Safety legislation and regulatory requirements.	Corporate Risk
H28	Commercial Properties - Garages	Core	Director, Customer and Exchequer Services	20	Q1	Review of the end to end process, including vetting, leasing, usage and compliance with lease terms.	Cyclical Review, requested by the Strategic Director
H23	Temporary Accommodation	Core	Director, Housing Needs and Support	25	Q1	Assurance over the controls over temporary accommodation, including identification of property, procurement and ensuring it meets required standards.	Subject to budget recovery board 2022 to 2024. Continued increased demand due to cost of living issues.
H31	Tenancy Management Organisations	Core	Director, Landlord Services	30	Q2	Audits to confirm compliance TMO compliance with the Council's requirements as set out in the Modular Management Agreement.	Annual Review Historical Issues
Total				125			

REF.	AREA	TYPE OF REVIEW	AUDIT SPONSOR	DAYS	TIMING	OUTLINE DESCRIPTION	REASON FOR INCLUSION
Integrated Health and Care							
IHC03	Social Care Contract Management	Core	Director, Integrated Commissioning	25	Q1	Assurance over the contract management arrangements relating to the ICS, including clarity of roles and responsibilities, management of delivery against expectations and KPIs and resolution of performance issues. This audit will also involve leads from Children and Adult Services.	Key element of the Council Delivery plan and delivery of the objectives of the South East London Integrated Care Board objectives.
Total				25			

REF.	AREA	TYPE OF REVIEW	AUDIT SPONSOR	DAYS	TIMING	OUTLINE DESCRIPTION	REASON FOR INCLUSION
Resources							
R10	Capital Expenditure Management	Core	Director of Corporate Finance	20	Q2	Assurance on the financial management of the Council's capital programme.	Corporate Risk
R63	Contract Management	Core	Head of Procurement	15	Q3	A follow up of the externally commissioned review of contract management completed during 2023-24, to confirm implementation of the recommendations.	Key System
R11 R24 R26	Key Financial Systems - Accounts Payable / Mosaic - Accounts Receivable - Reconciliations	Core	Director, Customer and Exchequer Services	40	Q2 & Q4	Healthcheck of the continued operation of key financial controls, using data analytics where possible.	Key Financial Systems
TBC	IT Audit Plan	Core	Chief Digital and Technology Officer	80	Q1 to Q4	The Shared Technology Service risk assessment will be reviewed and audits across the tri-borough partnership identified. Three audits are again likely to be completed by BDO in 2025-26.	Corporate Risk Key Systems.
R71	Pensions Administration	Core	Head of Pensions Operations	20	Q3	Annual review of Pensions administration, scope to be agreed.	Key Financial System Annual Review
R61 R62	Procurement	Core	Head of Procurement	30	Q4	Review of the Council's Procurement policies and procedures following the new Procurement Act, and compliance across the Council.	Corporate Risk Key System.
Total				205			

REF.	AREA	TYPE OF REVIEW	AUDIT SPONSOR	DAYS	TIMING	OUTLINE DESCRIPTION	REASON FOR INCLUSION
Strategy and Communities							
SC03	Change Management / Future Southwark	Future Focused	Programme Director, Future Southwark	30	Q3	Review of the governance and delivery of Future Southwark, and benefits realisation.	A cornerstone of organisational transformation.
SC01	Communications and Media	Core	Director, Communications, Engagement and Change	20	Q2	Assurance over the adequacy and effectiveness of the governance and risk management controls relating to the Council’s external communications and media responses.	Cyclical Review New Communications Protocol.
SC09	Performance Monitoring	Core	Assistant Director Strategy and Service Design	25	Q4	Assurance on the processes put in place by the new Corporate Performance Team, including communication with directorates, and frameworks for collating, verifying and reporting performance data.	A cornerstone of how the Council assesses how well it is doing in delivering its priorities.
SC05	Voluntary Sector Grants	Core	Director, Communications, Engagement and Change	25	Q1	Assurance over the application, evaluation, award and monitoring of voluntary sector grants across the Council.	Cyclical review. Dispersed across the Council.
Total				100			

REF.	AREA	TYPE OF REVIEW	AUDIT SPONSOR	DAYS	TIMING	OUTLINE DESCRIPTION	REASON FOR INCLUSION
Flexible Audit Resource - To be allocated during the year as required but could include the examples shown below							
FAR	To be determined as required.	To be agreed depending on the request	To be agreed depending on the request	45	Q1 to Q4	Additional days to be agreed through discussion. The internal audit team and wider BDO specialist resources can be drawn upon as needed during the year to respond to areas including: • Transparency reporting support (already agreed - 12 days per annum) • New emerging risks • Grant audits • System implementation (attendance at Project Groups) • Attendance at corporate groups • Ad hoc advice and support (e.g., school training and awareness, tax issues, employment regulations) • Support to the corporate anti-fraud team in developing fraud risk registers in response to the Economic Crime and Corporate Transparency Act 2023.	Provides flexibility to the Corporate Management Team, Directors and Audit, Governance and Standards Committee should the need arise during the year.
Total				45			

REF.	AREA	SPONSOR	DAYS	TIMING	OUTLINE DESCRIPTION	REASON FOR INCLUSION
Contract Management						
CM1	Chief Audit Executive Role	Strategic Director, Resources	20	Q1 to Q4	Attendance at Audit, Governance and Standards Committee meetings and Audit Committee Chair liaison. Monthly contract management meetings. End of year reporting and provision of Head of Internal Audit opinion. Support to the Council for compliance with the new Global Internal Audit Standards and associated requirements for local government.	Effective contract management and delivery.
CM2	Planning, liaison, management and reporting	CMT and Strategic Director	25	Q1 to Q4	Creation of audit plan, meeting with Executive Directors, attendance at CMT and DMTS during the year, and in year progress reporting to the Audit, Governance and Standards Committee.	Effective planning and delivery.
CM3	Recommendations Follow Up		30	Q1 to Q4	Follow up of all high and medium recommendations made by internal audit with management an in year status reporting to the Audit, Governance and Standards Committee.	Requirement under PSIA Standards and effective assurance that issues have been addressed such that risks are being effectively managed.
Total			75			

SUMMARY BY COUNCIL DIRECTORATE	DAYS	SUMMARY BY TYPE OF REVIEW	DAYS
Children and Adult Services, including Schools	275	Core Assurance	850
Environment, Sustainability and Leisure	115	Soft Controls	25
Governance and Assurance	65	Future Focused Reviews	30
Housing	125	Flexible Audit Resource	45
Integrated Health and Care	25	Contract Management	75
Resources, including IT Audits	205		
Strategy and Communities	100		
Contract Management	75		
Flexible Days	45		
Total days	1030		1030

APPENDIX I - FOR REFERENCE - PREVIOUS YEARS AUDITS

IA Ref.	Audit Area	Audit Sponsor	Type of review	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (for ref.)	2025-26	2026/27 (potential)
Children and Adult Services									
CAS01	Adult day care provision	Director, Adult Social Care	Core						✓
CAS02	Client finances and appointeeships	Director, Adult Social Care	Core				✓		
CAS03	Short breaks and respite	Director, Adult Social Care	Core					✓	
CAS04	All age disability service	Director, Adult Social Care	Core	✓					✓
CAS05	Direct payments	Director, Adult Social Care	Core			✓			✓
CAS06	Older people's services - Nursing and Residential	Director, Adult Social Care	Core	✓				✓	
CAS07	Older people's services - Home Care	Director, Adult Social Care	Core	✓					✓
CAS08	Safeguarding	Director, Adult Social Care	Core		✓				✓
CAS09	Carers	Director, Adult Social Care	Core		✓				✓
CAS10	Hospital Discharges	Director, Adult Social Care	Core	✓				✓	
CAS12	Continuing healthcare	Director, Adult Social Care	Core	✓					
CAS13	Covid-19 pandemic related payments	Director, Adult Social Care	Future		✓				
CAS14	Waiting Lists	Director, Adult Social Care	Core				✓		
CAS20	Adopt Service (Adopt London South)	Director, Children and Families	Core				✓		✓
CAS21	Payments to children and families	Director, Children and Families	Core				✓		
CAS22	Supported families grant claims	Director, Children and Families	Core	✓	✓	✓	✓	✓	✓

IA Ref.	Audit Area	Audit Sponsor	Type of review	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (for ref.)	2025-26	2026/27 (potential)
CAS23	Children's quality assurance unit	Director, Children and Families	Future		✓				
CAS24	Foster carers	Director, Children and Families	Core				✓		
CAS25	Placements - children in care service	Director, Children and Families	Core						✓
CAS26	Safeguarding	Director, Children and Families	Core	✓					✓
CAS27	Legal fees	Director, Children and Families	Core			✓			
CAS28	Youth offending service	Director, Children and Families	Core	✓					✓
CAS29	Care Leavers	Director, Children and Families	Core		✓				
CAS41	Adult learning services	Director, Children and Families	Core		✓				
CAS42	Home to school transport	Director, Children and Families	Core		✓				
CAS44	Pupil registry systems	Director, Children and Families	Core		✓				
CAS45	School admissions	Director, Children and Families	Core					✓	
CAS46	Special educational needs (SEN)	Director, Children and Families	Core		✓				✓
CAS47	Traded services	Director, Children and Families	Future		✓		✓		
CAS48	Travel assistance	Director, Children and Families	Core					✓	
CAS49	Departmental response to schools in financial	Director, Children and Families	Future	✓					

IA Ref.	Audit Area	Audit Sponsor	Type of review	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (for ref.)	2025-26	2026/27 (potential)
	difficulties								
CAS50	SEND Finance	Director, Children and Families	Core		✓				
CAS51	Smoking cessation	Director, Public Health	Core						
CAS52	NHS health checks	Director, Public Health	Core						
CAS53	Mental health services	Director, Public Health	Core		✓				
CAS54	Substance misuse	Director, Public Health	Core		✓		✓		
CAS55	Sexual health services	Director, Public Health	Core						
CAS56	0-19 commissioned services	Director, Public Health	Core						
SCH	Schools - cyclical programme*	Director, Children and Families	Core	✓	✓	✓	✓	✓	✓
Environment, Sustainability and Growth									
ESL01	Highways maintenance	Director, Environment	Core	✓			✓		
ESL02	CCTV	Director, Environment	Core					✓	
ESL03	Enforcement	Director, Environment	Core				✓		
ESL04	Licencing	Director, Environment	Core	✓					✓
ESL05	Parking management & estates parking permits	Director, Environment	Core		✓				
ESL06	Markets	Director, Environment	Core		✓				
ESL07	Materials	Director, Environment	Core		✓				
ESL08	Pest control	Director, Environment	Core				✓		
ESL09	Street lighting and signs	Director, Environment	Core				✓		
ESL10	Commercial waste	Director, Environment	Core					✓	
ESL11	Fleet contract	Director, Environment	Core						✓
ESL12	Estates cleaning and grounds	Director, Environment	Core			✓			

IA Ref.	Audit Area	Audit Sponsor	Type of review	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (for ref.)	2025-26	2026/27 (potential)
	maintenance								
ESL13	Waste contract / PFI	Director, Environment	Core				✓		
ESL14	Trading standards, food safety and health & safety	Director, Environment	Core					✓	
ESL21	Cemeteries and crematoria	Director, Leisure	Core		✓				
ESL22	Library service	Director, Leisure	Core	✓					✓
ESL23	Leisure services	Director, Leisure	Core	✓		✓			
ESL24	South Dock Marina	Director, Leisure	Future	✓				✓	
ESL25	Youth and play service	Director, Leisure	Core				✓		
ESL26	Culture and events	Director, Leisure	Core					✓	
ESL28	Tree management service	Director, Leisure	Future / Core			✓			
ESL29	Volunteer management	Director, Leisure / Director, Environment	Core						✓
ESL31	No recourse to public funds	Director, Communities	Core		✓			✓	
ENG48	Streets for people strategy	Director of Environment	Core				✓		
ENG51	Climate emergency	Climate Change and Sustainability Director	Future / Core		✓		✓		
Governance and Assurance									
GA02	Hospitality and gifts register, register of interests	Assistant Chief Executive - Governance and Assurance	Core		✓				
GA03	Data protection compliance	Assistant Chief Executive / Governance and Assurance	Core	✓					
GA04	Records management	Assistant Chief Executive / Governance and Assurance	Core			✓			
GA05	Information requests	Assistant Chief Executive / Governance and Assurance	Core				✓		

IA Ref.	Audit Area	Audit Sponsor	Type of review	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (for ref.)	2025-26	2026/27 (potential)
GA11	Staff recruitment and vetting	Assistant Chief Executive - Governance and Assurance	Core			✓			
GA12	Sickness absence management	Assistant Chief Executive - Governance and Assurance	Core		✓				
GA14	Culture maturity	Assistant Chief Executive - Governance and Assurance	Future						✓
GA15	Workforce governance	Director, People and Organisational Development	Future				✓		
GA16	Key Financial System - Payroll	Director, People and Organisational Development	Core	✓	✓	✓	✓	✓	✓
GA21	Corporate facilities management	Director, People and Organisational Development	Core	✓			✓		
GA22	Corporate Health and safety	Director, People and Organisational Development	Core		✓			✓	
GA51	Whistleblowing	Assistant Chief Executive - Governance and Assurance	Core	✓					✓
GA52	Complaints	Assistant Chief Executive - Governance and Assurance	Core	✓	✓				✓
GA61	Electoral register and elections	Assistant Chief Executive - Governance and Assurance	Core	✓					
GA71	Member officer protocol / Members Enquiries	Assistant Chief Executive - Governance and Assurance	Core		✓				✓
GA72	Members allowances	Assistant Chief Executive - Governance and Assurance	Core	✓					✓
GA73	Scrutiny	Assistant Chief Executive - Governance and Assurance	Core				✓		

IA Ref.	Audit Area	Audit Sponsor	Type of review	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (for ref.)	2025-26	2026/27 (potential)
GA74	Mayor's office and expenses	Assistant Chief Executive - Governance and Assurance	Core				✓		
GA75	Equality, Diversity and Inclusion / Southwark Stands Together	Assistant Chief Executive - Governance and Assurance	Core					✓	
Housing Directorate									
H01	New homes programme	Managing Director, Southwark Construction	Core		✓				
H03	Social housing regulations - major buildings	Managing Director, Southwark Construction	Core				✓		
H11	Asset management systems	Managing Director, Southwark Construction	Core		✓		✓	✓	
H12	Engineering services	Managing Director, Southwark Construction	Core						✓
H14	Housing adaptations	Managing Director, Southwark Construction	Core			✓			
H15	Major works	Managing Director, Southwark Construction	Core	✓	✓				✓
H16	Building Safety	Director, Landlord Services	Future / Core		✓			✓	
H17	Statutory disrepairs	Director, Landlord Services	Core			✓			
H18	Southwark building services / repairs and maintenance	Managing Director, Southwark Construction	Future / Core	✓	✓				✓
H21	Voids	Director, Landlord Services	Core		✓			✓	
H22	Housing tenancies	Director, Landlord Services	Core	✓				✓	
H23	Temporary accommodation	Director, Landlord Services	Future / Core		✓		✓		
H24	MySouthwark home owner's agency	Director, Housing Needs and Support	Core						✓

IA Ref.	Audit Area	Audit Sponsor	Type of review	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (for ref.)	2025-26	2026/27 (potential)
H25	Housing solutions - applications and allocations	Director, Housing Needs and Support	Core				✓		
H26	Housing solutions - homelessness	Director, Housing Needs and Support	Core		✓				✓
H27	Social housing regulations - preparedness	Director, Landlord Services	Future			✓			
H28	Commercial Properties - Garages	Director, Landlord Services	Core					✓	
H30	Tenancy management organisations (TMOs) - cyclical compliance audits	Director, Landlord Services	Core	✓	✓	✓	✓	✓	✓
H31	Tenancy Management organisations - use of reserves	Director, Landlord Services	Future		✓				
H32	Asset Management Statutory Compliance	Strategic Director, Housing	Core				✓		
Integrated Health and Care									
IHC01	Partnership governance and integration of services	Director, Commissioning	Future			✓			
IHC02	Commissioning of services	Director, Commissioning	Core				✓		
IHC03	Contract Management	Director, Commissioning	Core	✓				✓	
Resources, including IT									
R01	Key financial system - General ledger	Director, Finance	Core		✓			✓	
R02	Key financial system - Treasury management	Director, Finance	Core	✓			✓		
R03	Key financial system - Suspense accounts management	Director, Finance	Core	✓			✓		
R04	Key financial system - SAP	Director, Finance	Core					✓	

IA Ref.	Audit Area	Audit Sponsor	Type of review	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (for ref.)	2025-26	2026/27 (potential)
	scheme of delegation and authorisations								
R05	Housing revenue account (HRA)	Director, Finance	Core	✓		✓			
R06	Financial planning	Director, Finance	Core	✓					✓
R07	Budgetary control	Director, Finance	Core				✓		
R08	Fraud protocols and fraud risk management	Director, Finance	Core					✓	
R09	Bribery and corruption controls	Director, Finance	Core					✓	
R10	Capital expenditure management	Director, Finance	Core		✓			✓	✓
R11	Bankline	Director, Customer and Exchequer Services	Core				✓		
R21	Key financial system - council tax	Director, Customer and Exchequer Services	Core	✓			✓		
R22	Key financial system - NDR	Director, Customer and Exchequer Services	Core	✓					✓
R23	Key financial system - housing rents	Director, Customer and Exchequer Services	Core		✓		✓		
R24	Key financial system - Accounts receivable /debt management	Director, Customer and Exchequer Services	Core			✓		✓	✓
R25	Key financial system - Mosaic	Director, Customer and Exchequer Services	Core		✓	✓		✓	
R26	Key financial system - Accounts payable	Director, Customer and Exchequer Services	Core	✓	✓		✓	✓	✓
R27	Key financial system - Housing benefits	Director, Customer and Exchequer Services	Core	✓		✓			✓

IA Ref.	Audit Area	Audit Sponsor	Type of review	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (for ref.)	2025-26	2026/27 (potential)
R28	Use of consultants / payments to individuals outside of PAYE / IR35	Director, Customer and Exchequer Services	Core			✓			
R29	Corporate credit cards	Director, Customer and Exchequer Services	Core						✓
R30	Cost of living fund	Director, Customer and Exchequer Services	Core			✓			
R31	Blue badges and freedom passes	Director, Customer and Exchequer Services	Core						
R41	Registrars	Director, Customer and Exchequer Services	Core						
R51	Right to buy	Director, Customer and Exchequer Services	Core		✓				✓
R52	Customer access strategy	Director, Customer and Exchequer Services	Future	✓					
R53	Insurance	Director, Customer and Exchequer Services	Core	✓					✓
R54	Home ownership - mortgages	Director, Customer and Exchequer Services	Core						✓
R55	Home ownership - charges to leaseholders	Director, Customer and Exchequer Services	Core	✓			✓		
R57	Enforcement agents, rent arrears and write offs	Director, Customer and Exchequer Services	Core	✓					
R58	Contact centre	Director, Customer and Exchequer Services	Core						✓
R61	Contracts Register	Head of Procurement (Council-wide review)	Core	✓				✓	
R62	Procurement	Head of Procurement (Council-wide review)	Core	✓				✓	

IA Ref.	Audit Area	Audit Sponsor	Type of review	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (for ref.)	2025-26	2026/27 (potential)
R63	Contract Management	Head of Procurement (Council-wide review)	Core					✓	
R64	Supplier resilience	Head of Procurement (Council-wide review)	Core			✓			
R71	Pensions Administration	Head of Pensions	Core	✓	✓	✓	✓	✓	
R81	Planning applications and s106 agreements	Director, Planning and Growth	Core				✓		
R82	Building control	Director, Planning and Growth	Core			✓			✓
R84	Land charges	Director, Planning and Growth	Core						✓
R85	Community infrastructure levy	Director, Planning and Growth	Core			✓			
R86	Major regeneration programmes & projects	Director, Planning and Growth	Core		✓	✓			✓
R87	Commercial property portfolio	Director, Planning and Growth	Core		✓				✓
R88	Risk Management	Strategic Director, Resources	Core						✓
R-IT01	Network security	Chief Digital and Technology Officer	Core						
R-IT02	IT disaster recovery and business continuity planning	Chief Digital and Technology Officer	Core	✓					
R-IT03	IT shared service arrangements/governance	Chief Digital and Technology Officer	Core			✓		✓	
R-IT04	Change control	Chief Digital and Technology Officer	Core					✓	
R-IT05	Website security and maintenance	Chief Digital and Technology Officer	Core						

IA Ref.	Audit Area	Audit Sponsor	Type of review	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (for ref.)	2025-26	2026/27 (potential)
R-IT06	Cloud strategy	Chief Digital and Technology Officer	Core					✓	
R-IT07	Cyber security	Chief Digital and Technology Officer	Core	✓ (reliance on third party assurance)		✓		✓	
R-IT08	Cloud computing	Chief Digital and Technology Officer	Core		✓				
R-IT09	Mobile device management	Chief Digital and Technology Officer	Core						
R-IT10	Software licensing	Chief Digital and Technology Officer	Core		✓				
R-IT11	Hornbill STS service desk review	Chief Digital and Technology Officer	Core	✓					
R-IT12	IT asset hardware management	Chief Digital and Technology Officer	Core			✓			
R-IT12	Applications review	Chief Digital and Technology Officer	Core		✓				
R-1T14	STS Financial Management	Chief Digital and Technology Officer	Core				✓		
R-IT99	IT service review	Chief Digital and Technology Officer	Core			✓			
Strategy and Communities									
SC01	Communications and media	Assistant Chief Executive / Head of Communications and Corporate Consultation	Core					✓	
SC02	Council Delivery Plan	Assistant Chief Executive / Strategy and Change Manager (Council-wide review)	Core			✓			

IA Ref.	Audit Area	Audit Sponsor	Type of review	2021-22 (for ref.)	2022-23 (for ref.)	2023-24 (for ref.)	2024-25 (for ref.)	2025-26	2026/27 (potential)
SC03	Change management	Assistant Chief Executive / Strategy and Change Manager	Future					✓	
SC04	Community engagement	Assistant Chief Executive - Strategy and Communities	Future			✓			
SC05	Voluntary Sector Grants	Assistant Chief Executive - Strategy and Communities	Core					✓	
SC06	Emergency planning and resilience, and business continuity	Assistant Chief Executive / Emergency Planning and Resilience Manager	Core	✓			✓		
SC07	Southwark 2030 and strategic planning strategy	Chief Executive	Future				✓		
SC08	Southwark 2030 implementation	Assistant Chief Executive / Head of Policy, Partnerships and Performance	Core						✓
SC09	Performance Monitoring							✓	

APPENDIX II - INTERNAL AUDIT CHARTER

INTERNAL AUDIT CHARTER

This charter is a requirement of internal audit standards.

The charter formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within the London Borough of Southwark ('the Council') and defines the scope of internal audit activities.

Final approval of this charter resides with the Audit, Governance and Standards Committee on behalf of Cabinet.

STANDARDS OF INTERNAL AUDIT PRACTICE

To fulfil its purpose, internal audit will perform its work in accordance with the *Global Internal Audit Standards in the UK Public Sector*, which encompass:

- ▶ The global Institute of Internal Auditors (IIA) *Global Internal Audit Standards* (GIAS) effective from January 2025
- ▶ The Internal Audit Standards Advisory Board (IASAB) *Application Note Global Internal Audit Standards in the UK Public Sector* effective from 1 April 2025.

For local government, internal audit is also required to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) *Code of Practice for the Governance of Internal Audit in UK Local Government*, effective from 1 April 2025.

The GIAS refer to the 'board' as 'the highest-level body charged with governance, such as a board of directors, an Audit Committee, a board of governors or trustees, or a group of elected officials or political appointees.' For the Council, 'the board' is the Audit, Governance and Standards Committee acting on behalf of Cabinet.

The GIAS also refer to the 'chief audit executive' as the 'leadership role responsible for effectively managing all aspects of the internal audit function and ensuring the quality performance of internal audit services in accordance with Global Internal Audit Standards.' For the Council's internal audit function, 'the chief audit executive or CAE' is the BDO-assigned partner acting as the Head of Internal Audit.

INTERNAL AUDIT'S PURPOSE AND MANDATE

Purpose

The purpose of the internal audit function is to strengthen the Council's ability to create, protect, and sustain value by providing the Audit, Governance and Standards Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances the Council's:

- ▶ Successful achievement of its objectives
- ▶ Governance, risk management, and control processes
- ▶ Decision-making and oversight
- ▶ Reputation and credibility with its stakeholders
- ▶ Ability to serve the public interest.

The Council's internal audit function is most effective when:

- ▶ Internal auditing is performed by competent professionals in conformance with the GIAS in the UK Public Sector
- ▶ The internal audit function is independently positioned with direct accountability to the Audit, Governance and Standards Committee
- ▶ Internal auditors are free from undue influence and committed to making objective assessments.

The role of the Council's internal audit therefore includes:

- ▶ Supporting the delivery of the Council's strategic objectives by providing risk-based and objective assurance on the adequacy and effectiveness of governance, risk management and internal controls
- ▶ Championing good practice in governance through assurance, advice and contributing to the Council's annual governance review
- ▶ Advising on governance, risk management and internal control arrangements for major projects, programmes and system changes
- ▶ Access to the Council's collaborative and arm's-length arrangements.

Mandate - Authority

The Audit, Governance and Standards Committee grants the internal audit function the mandate to provide the Committee and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the Audit, Governance and Standards Committee. Such authority allows for unrestricted access to the Audit, Governance and Standards Committee.

The Audit, Governance and Standards Committee authorises the internal audit function to:

- ▶ Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities; internal auditors are accountable for confidentiality and safeguarding records and information
- ▶ Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives
- ▶ Obtain assistance from the necessary organisation's personnel in relevant engagements, as well as other specialised services from within or outside the organisation to complete internal audit services.

Mandate - Independence, position, and reporting relationships

- ▶ The CAE will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function.
- ▶ The CAE will report functionally to the Audit, Governance and Standards Committee and administratively to the Strategic Director of Resources (and s151 Officer).
- ▶ This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Audit, Governance and Standards Committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.
- ▶ The CAE will confirm to the Audit, Governance and Standards Committee, at least annually, the organisational independence of the internal audit function.
- ▶ The CAE will disclose to the Audit, Governance and Standards Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfil its mandate.

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE OVERSIGHT

To establish, maintain, and ensure that the Council's internal audit function has sufficient authority to fulfil its duties, the Audit, Governance and Standards Committee will:

- ▶ Discuss with the CAE and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function
- ▶ Ensure the CAE has unrestricted access to and communicates and interacts directly with the Audit, Governance and Standards Committee, including in private meetings without senior management present

- ▶ Discuss with the CAE and senior management other topics that should be included in the internal audit charter
- ▶ Participate in discussions with the CAE and senior management about the “essential conditions”, described in the GIAS, which establish the foundation that enables an effective internal audit function
- ▶ Review and approve the internal audit function’s charter annually, which includes the internal audit mandate and the scope and types of internal audit services
- ▶ Approve the risk-based internal audit plan
- ▶ Approve the internal audit function’s human resources administration and budgets
- ▶ Collaborate with senior management to determine the qualifications and competencies the organisation expects in a CAE
- ▶ Authorise the appointment and removal of the CAE and outsourced internal audit provider
- ▶ Approve the fees paid to the outsourced internal audit provider
- ▶ Review the CAE’s and internal audit function’s performance
- ▶ Receive communications from the CAE about the internal audit function including its performance relative to its plan
- ▶ Ensure a quality assurance and improvement program has been established and review the results annually
- ▶ Make appropriate inquiries of senior management and the CAE to determine whether scope or resource limitations are inappropriate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the CAE, Audit, Governance and Standards Committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- ▶ A significant change in the GIAS in the UK Public Sector
- ▶ A significant acquisition or reorganisation within the organisation
- ▶ Significant changes in the CAE, Audit, Governance and Standards Committee, and/or senior management
- ▶ Significant changes to the organisation’s strategies, objectives, risk profile, or the environment in which the organisation operates
- ▶ New laws or regulations that may affect the nature and/or scope of internal audit services.

Support for Internal Audit

Internal audit’s activities require access to and support from senior management, the Audit, Governance and Standards Committee and those charged with governance. Support allows internal audit to apply the mandate and charter in practice and meet expectations.

The Council will support the internal audit function by:

- ▶ Championing the role and work of internal audit to the staff within the Council and to partner organisations with whom internal audit works
- ▶ Facilitating access to senior management, the Audit, Governance and Standards Committee and the Council’s external auditor
- ▶ Assisting, where possible, with access to external providers assurance such as regulators, inspectors and consultants
- ▶ Engaging constructively with internal audit’s findings, opinions and advice
- ▶ Building awareness and understanding of the importance of good governance, risk management and internal control for the success of the Council and of internal audit’s contributions.

The Council will also put in place conditions to enable the internal audit work:

- ▶ Ensuring that the reporting line of the chief audit executive is not lower than a member of the senior management team and that the chief audit executive has access to all members of the team
- ▶ Ensuring that client responsibility lies with a member of senior management

The Audit, Governance and Standards Committee will support internal audit by:

- ▶ Enquiring of senior management and the chief audit executive about any restrictions on the internal audit's scope, access, authority or resources that limit its ability to carry out its responsibilities effectively
- ▶ Considering the audit plan or planning scope, and formally approving or recommending approval to those charged with governance
- ▶ Meeting at least annually with the chief audit executive in sessions without senior management present.

Senior management will establish and safeguard internal audit's independence by:

- ▶ Ensuring internal audit's access to staff and records, as set out in regulations and the charter, operates freely and without any interference
- ▶ Ensuring that the chief audit executive reports in their own right to the Audit, Governance and Standards Committee on the work of internal audit
- ▶ Providing opportunities for the chief audit executive to meet with the Audit, Governance and Standards Committee without senior management present
- ▶ Where there are actual or potential impairments to the independence of internal audit, working with the chief audit executive to remove or minimise them or ensure safeguards are operating effectively
- ▶ Recognising that if the chief audit executive has additional roles and responsibilities beyond internal auditing, or if new roles are proposed, it could impact on the independence and performance of internal audit; in such cases the impact must be discussed with the chief audit executive and the views of the Audit, Governance and Standards Committee sought
- ▶ Where needed, appropriate safeguards will be put in place by senior management to protect the independence of internal audit and support conformance with professional standards. Matters around the appointment, removal, remuneration and performance evaluation of the chief audit executive will be undertaken by senior management, but these arrangements must not be used to undermine the independence of internal audit. The Audit, Governance and Standards Committee will provide feedback on the performance evaluation of the chief audit executive, which should include feedback from the Chair of the Audit, Governance and Standards Committee.

Interaction between the Audit, Governance and Standards Committee and Internal Audit

The Audit, Governance and Standards Committee will support internal audit's independence by reviewing the effectiveness of safeguards at least annually, including any issues or concerns about independence from the chief audit executive. The chief audit executive will have the right of access to the Chair of the Audit, Governance and Standards Committee at any time. The Audit, Governance and Standards Committee can escalate its concerns about internal audit independence to those charged with governance.

To ensure there is good interaction between the Audit, Governance and Standards Committee and internal audit, the Audit, Governance and Standards Committee will agree its work plan with the chief audit executive to ensure there is appropriate coverage of internal audit matters within Audit, Governance and Standards Committee agendas. The Audit, Governance and Standards Committee workplan will provide for

the internal audit mandate and charter, strategy, plans, engagement reporting and the annual conclusion, and quality reports.

The Audit, Governance and Standards Committee is familiar with the Council's assurance framework, governance, risk management and internal control arrangements to facilitate its interactions with internal audit.

Senior management will engage with the Audit, Governance and Standards Committee on any significant changes to governance, risk and control arrangements and any concerns they may have on assurance. The Audit, Standard and Governance Committee will have oversight of the annual governance statement before final approval.

Where there is disagreement about the management of risks or agreed audit actions between internal audit and senior management, the Audit, Governance and Standards Committee will review and make their recommendation to either management or those charged with governance.

Internal Audit Resources

The Audit, Governance and Standards Committee and senior management will engage with the chief audit executive to review whether internal audit's financial, human and technological resources are sufficient to meet internal audit's mandate as set out in the regulations and achieve conformance with GIAS in the UK public sector. Where there are concerns about internal audit's ability to fulfil its mandate or deliver an annual conclusion, the concerns will be formally recorded and reported to those charged with governance.

If resource issues result in a limitation of scope on the annual conclusion, this will be reported and disclosed in the annual governance statement. Decisions on internal audit resourcing by senior management and those charged with governance must take account of the longer-term risks to the governance and financial sustainability of the Council and internal audit's role in supporting those objectives. Where there are temporary resource constraints, senior management must work with the chief audit executive to establish longer-term plans for sustainable internal audit resources.

Quality

Annually, the Audit, Governance and Standards Committee will review the results of the chief audit executive's assessment of conformance against GIAS in the UK public sector (including CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government) and any action plan. The Audit, Governance and Standards Committee will review the chief audit executive's annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives. To meet the requirements of the regulations (the mandate) for internal audit, the Audit, Governance and Standards Committee will satisfy itself on the effectiveness of internal audit. They will take into account conformance with the standards, interactions with the Committee, performance and feedback from senior management. Their conclusions will be reported to those charged with governance, for example, as part of the Audit, Governance and Standards Committee's annual report.

External Quality Assessment

On behalf of those charged with governance and the Audit, Governance and Standards Committee, senior management will ensure that internal audit has an external quality assessment at least once every five years of its conformance against GIAS in the UK public sector, (including CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government).

Senior management and the chief audit executive will discuss the timing of the review and report the options and their recommendation to the Audit, Governance and Standards Committee. The proposals for the scope, method of assessment and assessor will be brought to the Audit, Governance and Standards Committee for agreement. The assessor must use CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government alongside the standards and be familiar with the sector. The Audit,

Governance and Standards Committee will receive the complete results of the assessment and consider the chief audit executive's action plan to address any recommendations. Progress will be monitored.

CHIEF AUDIT EXECUTIVE ROLES AND RESPONSIBILITIES

Ethics and Professionalism

The CAE will ensure that internal auditors:

- ▶ Conform with the GIAS in the UK Public Sector, including the principles of Ethics and Professionalism (integrity, objectivity, competency, due professional care, and confidentiality) and the Seven Principles of Public Life (the 'Nolan Principles') (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)
- ▶ Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations
- ▶ Encourage and promote an ethics-based culture in the organisation
- ▶ Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

The CAE will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the CAE determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment.

Internal auditors will:

- ▶ Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the CAE, Audit, Governance and Standards Committee, management, or others
- ▶ Exhibit professional objectivity in gathering, evaluating, and communicating information
- ▶ Make balanced assessments of all available and relevant facts and circumstances
- ▶ Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The CAE has the responsibility to:

- ▶ Understand the organisation's governance, risk management and control processes, and the importance in the UK public sector of securing value for money, in developing an effective strategy and plan.
- ▶ At least annually, develop a risk-based internal audit plan that considers the input of the Audit, Governance and Standards Committee and senior management; discuss the plan with the Audit, Governance and Standards Committee and senior management and submit the plan to the Audit, Governance and Standards Committee for review and approval
- ▶ Communicate the impact of resource limitations on the internal audit plan to the Audit, Governance and Standards Committee and senior management
- ▶ Review and adjust the internal audit plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls

- ▶ Communicate with the Audit, Governance and Standards Committee and senior management if there are significant interim changes to the internal audit plan
- ▶ Ensure internal audit engagements are performed, documented, and communicated in accordance with the GIAS in the UK Public Sector
- ▶ Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit, Governance and Standards Committee and senior management periodically and for each engagement as appropriate
- ▶ Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the GIAS in the UK Public Sector and fulfil the internal audit mandate (in public sector internal audit, the chief audit executive is required to have a CMIIA, or a CCAB qualification, or an equivalent professional qualification which includes training on the practice of internal audit, and suitable internal audit experience)
- ▶ Identify and consider trends and emerging issues that could impact the Council and communicate to the Audit, Governance and Standards Committee and senior management as appropriate
- ▶ Consider emerging trends and successful practices in internal auditing
- ▶ Establish and ensure adherence to methodologies designed to guide the internal audit function
- ▶ Ensure adherence to relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the GIAS; any such conflicts will be resolved or documented and communicated to the Audit, Governance and Standards Committee and senior management
- ▶ Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services; if the CAE cannot achieve an appropriate level of coordination, the issue will be communicated to senior management (including the barriers to effective co-ordination with other assurance providers) and if necessary escalated to the Audit, Governance and Standards Committee.

Communication with the Audit, Governance and Standards Committee and Senior Management

The CAE will report annually to the Audit, Governance and Standards Committee and senior management regarding:

- ▶ The internal audit function's mandate
- ▶ The internal audit plan and performance relative to its plan
- ▶ Internal audit budget
- ▶ Significant revisions to the internal audit plan and budget
- ▶ Potential impairments to independence, including relevant disclosures as applicable
- ▶ Results from the quality assurance and improvement program, which include the internal audit function's conformance with the GIAS in the UK Public Sector and action plans to address the internal audit function's deficiencies and opportunities for improvement
- ▶ Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit, Governance and Standards Committee
- ▶ Results of assurance and advisory services
- ▶ Resource requirements
- ▶ Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the organisation's risk appetite.

Quality Assurance Improvement Programme

The CAE will develop, implement, and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit function.

The program will include external and internal assessments of the internal audit function's conformance with the GIAS in the UK Public Sector, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement.

The plan will assess the efficiency and effectiveness of internal audit and identify opportunities for improvement.

Annually, the CAE will communicate with the Audit, Governance and Standards Committee and senior management about the internal audit function's QAIP, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments.

External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside BDO. Qualifications must include at least one assessor holding an active Certified Internal Auditor credential. For public sector internal audit, such a person should have an understanding of the GIAS commensurate with the Certified Internal Auditor designation, including internal audit relevant continuing professional development and an understanding of how the GIAS are applied in the UK public sector.

SCOPE AND TYPES OF INTERNAL AUDIT SERVICES

The scope of internal audit services covers the entire breadth of the organisation, including all the Council's activities, assets, and personnel.

The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Audit, Governance and Standards Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for the organisation.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- ▶ Risks relating to the achievement of the organisation's strategic objectives are appropriately identified and managed
- ▶ The actions of the Council's officers, directors, management, employees, and contractors or other relevant parties comply with organisational policies, procedures, and applicable laws, regulations, and governance standards
- ▶ The results of operations and programs are consistent with established goals and objectives
- ▶ Operations and programs are being carried out effectively and efficiently
- ▶ Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the organisation
- ▶ The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable
- ▶ Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

INTERNAL AUDIT PERFORMANCE MEASURES AND INDICATORS

The tables below contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The Audit, Governance and Standards Committee should approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

TABLE ONE: PERFORMANCE MEASURES FOR INTERNAL AUDIT

MEASURE / INDICATOR
Audit Coverage Annual Audit Plan delivered in line with timetable. Actual days are in accordance with Annual Audit Plan.
Relationships and customer satisfaction Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit. Annual survey to Audit, Governance and Standards Committee to achieve score of at least 70%. External audit can rely on the work undertaken by internal audit (where planned).
Staffing and Training At least 60% input from qualified staff.
Audit Reporting Issuance of draft report within three weeks of fieldwork `closing` meeting. Finalise internal audit report one week after management responses to report are received. 90% recommendations to be accepted by management. Information is presented in the format requested by the customer.
Audit Quality High quality documents produced by the auditor that are clear and concise and contain all the information requested. Positive result from any external review.

MANAGEMENT AND STAFF PERFORMANCE MEASURES AND INDICATORS

The management and staff of the Council commit to the following:

- Providing unrestricted access to all of the Council's records, property, and personnel relevant to the performance of engagements
- Responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- Implementing agreed recommendations within the agreed timeframe
- Being open to internal audit about risks and issues within the organisation
- Not requesting any service from internal audit that would impair its independence or objectivity
- Providing honest and constructive feedback on the performance of internal audit.

The following three indicators are considered good practice performance measures, but we go beyond this and report on a suite of measures as included in each Audit, Governance and Standards Committee Progress Report.

TABLE TWO: PERFORMANCE MEASURES FOR MANAGEMENT AND STAFF

MEASURE / INDICATOR
Response to Reports Audit sponsor to respond to terms of reference within two weeks of receipt and to draft reports within three weeks of receipt.

MEASURE / INDICATOR**Implementation of recommendations**

Audit sponsor to implement all audit recommendations within the agreed timeframe.

Co-operation with internal audit

Internal audit to confirm to each meeting of the Audit, Governance and Standards Committee whether appropriate co-operation has been provided by management and staff.

BDO CONTACTS

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Meeting Name:	Audit, Governance and Standards committee
Date:	3 February 2025
Report title:	Auditor's Year End Report on Southwark Council 2023-24
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	n/a

RECOMMENDATION

1. That the Audit, Governance and Standards committee:
 - a. Consider the matters raised in KPMG's Year End Report for the council's core financial statements 2023-24 (Appendix A) before approval of the council's accounts
 - b. Consider the matters raised in KPMG's Auditor's Annual Report (Appendix B)
 - c. Consider the matters raised in the KPMG's Year End Report for the Pension Fund 2023-24 (Appendix C) before approval of the Pension Fund accounts.

BACKGROUND INFORMATION

2. As the council's appointed external auditor, KPMG is required under the statutory Code of Audit Practice for Local Government Bodies to issue reports to those charged with governance summarising the conclusions of their audit work. The Audit, Governance and Standards committee (AGS) is the council's constitutional body for receiving these reports and needs to consider them before it can approve the council's statement of accounts.
3. Separate audits are conducted for the main Council accounts and the Pension Fund accounts and are reported on separately.
4. The auditor is required by professional auditing standards to report to the committee certain matters before giving their opinion on the financial statements.
5. In addition to reporting on the financial statements, the auditor reports any circumstances where they suspect or detect fraud and on whether, in their view, the council has made proper arrangements for achieving economy, efficiency and effectiveness in its use of resources.

6. The principal purposes of the reports are to:
 - a. reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and AGS
 - b. share information to assist both the auditor and the committee to fulfil their respective responsibilities
 - c. provide the committee with recommendations for improvements within the council arising from the audit process
 - d. provide letters of representation before the auditor issues their formal opinion, they will require letters of representations to be provided by the council.
7. Please see the report 'Final Statement of Accounts 2023-24' which is being presented to AGS concurrently with this one.

KEY ISSUES FOR CONSIDERATION

KPMG Audit Report

8. The Audit Report includes agreed adjustments to the accounts, findings concerning controls and procedures relating to the council's finances and IT infrastructure, and presents the opinion that will be issued for inclusion in the final Statement of Accounts.

Policy framework implications

9. There are no direct policy framework implications in this report.

Community impact statement

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

Equalities (including socio-economic) impact statement

11. This report is no considered to contain any proposals that would have a significant equalities impact.

Health impact statement

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

Climate change implications

13. This report is no considered to contain any proposals that would have a significant impact on climate change.

Resource implications

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

Financial implications

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

Legal implications

16. 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 regulations made there under.

Consultation

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

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

18. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Department of Resources files	Resources Department, Second Floor, Tooley Street	Humphrey Thompson 020 7525 7326

APPENDICES

No.	Title
Appendix A	KPMG Year End Report
Appendix B	KPMG Audit Report for Southwark Council 2023-24
Appendix C	KPMG Audit Report for Southwark Council Pension Fund 2023-24

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Humphrey Thompson, Deputy Chief Accountant		
Version	Final		
Dated	22 January 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments Included
Assistant Chief Executive, Governance and Assurance		No	N/A
Strategic Director, Resources		No	N/A
Cabinet Member		N/A	N/A
Date final report sent to Constitutional Team			22January 2025

Year End Report to the Audit, Governance and Standards Committee

Southwark Council

Year end report for the year ended 31 March 2024: Discussion Draft

22 January 2025

Important notice

This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of Southwark Council (the 'Council'), prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, as at and for the year ended 31 March 2024.

This Report has been prepared for the Council's Audit, Governance and Standards Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication in September and November 2024.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Council's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

Yours sincerely,



Fleur Nieboer
Partner, KPMG LLP

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is practically complete. Matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 3 of 'Our Audit Findings' outlines the outstanding matters in relation to the audit. Our conclusions will be discussed with you before our audit report is signed.

Restrictions on distribution

The report is provided for the information of the Audit, Governance and Standards Committee of the Council; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

Our audit findings

Significant audit risks

Page 5 – 12

Significant audit risks	Our findings
Valuation of council dwellings	We are satisfied that the valuation of Council Dwellings is cautious but, in all material respects, acceptable. An adjustment to the accounts was made to align the value of dwellings with the valuers' report.
Management override of controls	We have not identified any evidence of management override of controls.
Valuation of post retirement benefit obligations	The results of our testing were satisfactory. We have not identified any issues in relation to the significant assumptions used within the valuation of the LGPS gross pension liability.
Fraud risk over HRA expenditure recognition	We did not identify any evidence of inappropriate recognition of HRA expenditure.

Key accounting estimates

Page 19 – 20

Defined benefit obligations	We assessed as reasonable the assumptions underpinning the valuation.
Defined benefit assets	We assessed as reasonable the assumptions underpinning the valuation.
Investment properties	We assessed as cautious the assumptions underpinning the valuation and identified one asset whose valuation was understated by £9.5m.
Council dwellings	We assessed as cautious the assumptions underpinning the valuation. We believe that a more balanced valuation would be greater in value by £2m – £5m, however the valuation recorded is correct in all material respects.
Other land and buildings	We assessed as reasonable the assumptions underpinning the valuation.

Uncorrected Audit Misstatements

Page 22

Understatement/ (overstatement)	£m	%
Gross income (net cost of services)	-	-
Gross expenditure (net cost of services)	-	-
Deficit on the provision of services	(15)	(5.3)
Total assets	15	0.2
Total reserves	15	(0.3)

Misstatements in respect of Disclosures

Page 22

Our findings A sensitivity analysis has not been included for estimates which contain a significant degree of estimation uncertainty. For now the Council has included a disclosure saying it is impractical but the Council should look to include an analysis in the future.

Number of Control deficiencies

Page 21

Understatement/ (overstatement)	
Significant control deficiencies	1
Other control deficiencies	13
Prior year control deficiencies remediated	7

Outstanding matters

Our audit is substantially complete and expect to sign our opinion shortly following the Committee meeting. The following matters are currently outstanding:

- Resolution of internal review comments.
- Completion of remaining financial reporting checklists and disclosures
- Payroll/GL Reconciliation Check
- Final review of file and of final accounts.

Significant risks and Other audit risks

We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our knowledge of the business, the industry and the wider economic environment in which the Council operates.

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

See the following slides for the cross-referenced risks identified on this slide.

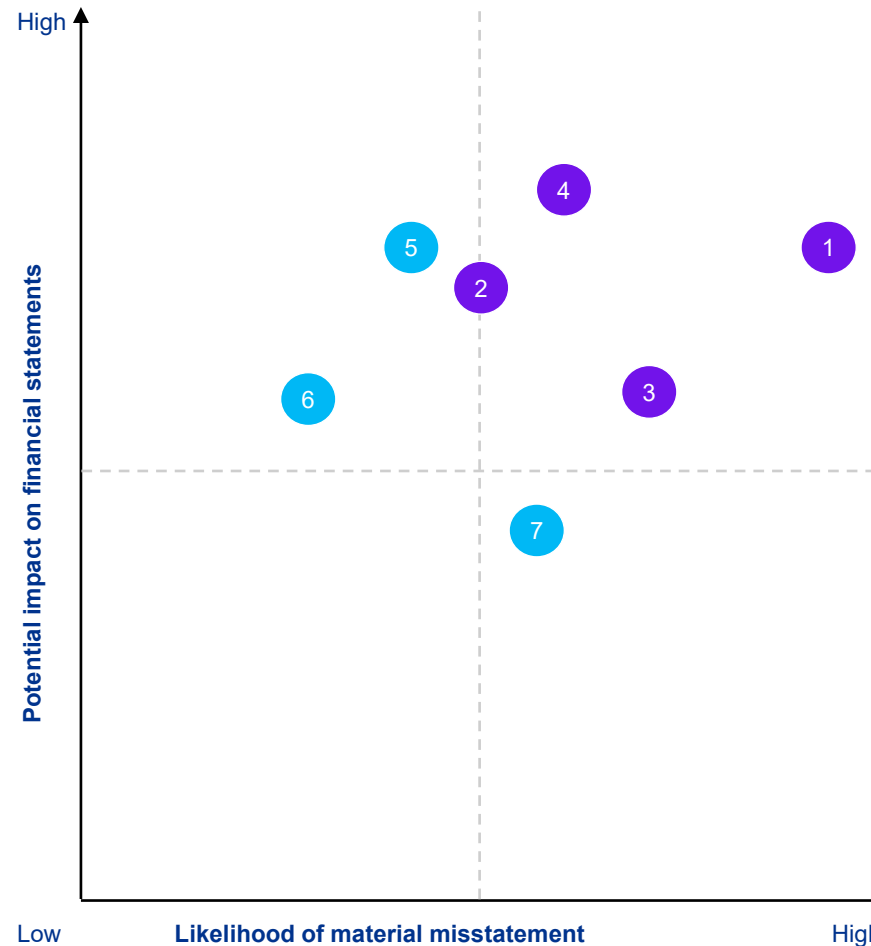
Significant risks

1. Valuation of council dwellings
2. Management override of controls
3. Valuation of post retirement benefit obligations
4. Fraud risk over HRA expenditure recognition

Other audit risks

5. Valuation of investment property
6. Accuracy and valuation of PFI liabilities
7. Presentation of IFRS 16 pre-transition disclosures

Key: # Significant financial statement audit risks
Other audit risk
○ Increasing or decreasing risk compared with planning
▼ Increasing or decreasing risk compared with planning



Audit risks and our audit approach

1

Valuation of Council Dwellings

Risk of error related to the incorrect calculation of valuation adjustments for housing dwellings



Significant audit risk

- The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council is re-valuing all its dwellings this year on account of the appointment of a new external valuation firm. The value of the dwellings at 31/3/24 was £3.4bn.
- A risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuer. This is on account of the judgement involved in the selection of assumptions including, but not limited to identification of comparative properties when valuing individual beacons.
- Our identification of this risk reflects that the Council Dwellings make up the largest part of the balance, and the valuation approach used means that should an error in valuing a small number of beacons arise, it can have an outsized impact on the valuation as a whole.
- This risk was updated since presented in our audit plan as set out in our progress report dated September 2024.

Our response

- We have performed the following procedures designed to specifically address the significant risk associated with the valuation:
- We critically assessed the independence, objectivity and expertise of Cluttons, the valuers used in developing the valuation of the Council's properties at 31 March 2024;
 - We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
 - We challenged the appropriateness of the valuation of dwellings on a sample basis with reference to available market data for comparable assets in a similar location;
 - We used our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology and assumptions utilised; and
 - Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

1

Valuation of Council Dwellings (cont.)

Risk of error related to the incorrect calculation of valuation adjustments for housing dwellings



Significant audit risk

- The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council is re-valuing all its dwellings this year on account of the appointment of a new external valuation firm. The value of the dwellings at 31/3/24 was £3.4bn.
- A risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuer. This is on account of the judgement involved in the selection of assumptions including, but not limited to identification of comparative properties when valuing individual beacons.
- Our identification of this risk reflects that the Council Dwellings make up the largest part of the balance, and the valuation approach used means that should an error in valuing a small number of beacons arise, it can have an outsized impact on the valuation as a whole.
- This risk was updated since presented in our audit plan as set out in our progress report dated September 2024.

Our findings

- We were content with the independence, objectivity and expertise of Cluttons and were satisfied that their work could be relied upon for audit purposes. This is the first year the Council has worked with an external specialist. Our queries were reviewed and discussed with us by the Council prior to being passed to the valuer as part of gaining familiarity with the process. However, in future we would anticipate that we have greater ability to interact directly with Cluttons, including private meetings (if required), notwithstanding the Council's responsibilities to oversee the process.
- We noted that there was regular communication between Council staff and the team at Clutton's in terms of reviewing data, discussing the approach and ultimately assessing the adequacy of the valuation reached. However, we could not identify an independent stand-back assessment of whether the valuation was in line with expectation. Auditing standards expect that individuals not involved in the valuation process would perform a review control that demonstrates how both the approach taken by the independent valuer and the outcome of their work is assessed and challenged. However, such a review would only be considered best practice and so the lack of that review did not affect our conclusions in respect of this risk however we have raised an associated recommendation on page 47.
- Our sample testing of individual beacon valuations identified one beacon where the valuation was not supported by available market data as some comparatives were not considered by Cluttons. Had they been considered, the valuation recorded would have been greater in value. Extrapolating that property across the entire beacon group would indicate that the valuation may be understated by a figure in the range of below triviality to £15m although we do not believe a figure at the top end of the range is realistic. We are therefore satisfied that the valuation is not materially misstated however considered it to be cautious, but within an acceptable range.
- We were satisfied with the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation. There was a discrepancy between the valuers report and the financial statements which has been corrected, caused by duplicating the value of capital additions.

Conclusion: We are satisfied that the valuation of Council Dwellings is cautious but acceptable.

Audit risks and our audit approach (cont.)

2 Management override of controls^(a)

Fraud risk related to unpredictable way management override of controls may occur

 Significant audit risk	 Our response
• Professional standards require us to communicate the fraud risk from management override of controls as significant. • Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. • We have also identified weaknesses in the control environment for journal entries, including over-privileged user access to the Council's general ledger system.	• Our audit methodology incorporates the risk of management override as a default significant risk. • We assessed accounting estimates for bias by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicated a possible bias; • We evaluated the selection and application of accounting policies; • We evaluated the design and implementation of controls over journal entries and post closing adjustments; • We evaluated the design and implementation of controls in place for the identification of related party relationships; • We tested the completeness of the related parties identified and ensured any transactions arising with those parties were appropriately disclosed within the financial statements; • We assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates; • We assessed the business rationale and the appropriateness of the accounting for significant transactions that were outside the Council's normal course of business, or were otherwise unusual; and • We analysed all journals through the year using data and analytics and focused our testing on those with a higher risk, such as journals which transfer expenditure out of the Housing Revenue Account and into the General Fund.

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

Audit risks and our audit approach (cont.)

2 Management override of controls^(a) (cont.)

Fraud risk related to unpredictable way management override of controls may occur

Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have also identified weaknesses in the control environment for journal entries, including over-privileged user access to the Council's general ledger system.

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

Our findings

- We were satisfied that accounting estimates did not exhibit any trends or patterns which may be indicative of management bias, and we did not identify any inappropriate changes in preparing estimates since 22/23.
- We did not identify any inappropriate accounting policies. As part of this assessment we considered, and consulted with our technical department, on management's judgements and accounting policies in accounting for the Canada Water Joint Arrangement with British Land. We were satisfied with the accounting policies used.
- We did not identify effectively designed and implemented controls over journal entries because management do not enforce journal entry authorisation within SAP. Whilst there are authorisation logs for journal entries, there was no mechanism to stop a fraudulent entry being posted without being recorded on the journal entry log.
- Updates were made to the related party disclosures to include a missing transaction. In addition, a restatement to the related party transactions disclosure has been made to correct an error where in-year transactions with related parties were not correctly disclosed in 22/23. These adjustments indicate that improvements can be made to the Council's controls and procedures in relation to related parties.
- We did not identify any inappropriate accounting in relation to significant unusual transactions.
- We identified 60 (by Document Number) high risk journal entries as part of our journal entry analysis. Our work over those journal entries did not identify any instances of management overriding internal control.

Conclusion: We have not identified any evidence of management override of controls.

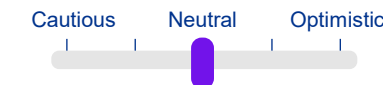
Audit risks and our audit approach (cont.)



3

Valuation of post retirement benefit obligations

Risk of error related to the incorrect valuation of defined benefit plan liabilities



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- In addition, the Council's pension memberships are in a net surplus position, leading to judgements being required as to the quantum of any asset ceiling which should be calculated, and hence whether an asset should be recognised on the balance sheet.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the Southwark Local Government Pension Scheme. Due to the size of the liability for the London Pension Fund Authority membership being small compared to materiality, we have not identified this risk in relation to that membership.



Our response

We performed the following procedures:

- Understood the processes the Council has in place to set the assumptions used in the valuation;
- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirmed that the accounting treatment and entries applied by the Council was in line with IFRS and the CIPFA Code of Practice;
- Considered the adequacy of the Council's disclosures in respect of the sensitivity of the nil balance to these assumptions;
- Assessed the level of surplus that should be recognised by the Council; and
- Assessed the impact of a new triennial valuation model and/or any special events, where applicable.

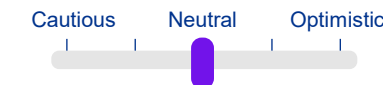
Audit risks and our audit approach (cont.)



3

Valuation of post retirement benefit obligations (cont.)

Risk of error related to the incorrect valuation of defined benefit plan liabilities



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- In addition, the Council's pension memberships are in a net surplus position, leading to judgements being required as to the quantum of any asset ceiling which should be calculated, and hence whether an asset should be recognised on the balance sheet.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the Southwark Local Government Pension Scheme. Due to the size of the liability for the London Pension Fund Authority membership being small compared to materiality, we have not identified this risk in relation to that membership.



Our findings

- In- line with International Auditing Standards, it is important for management to have ownership over the defined benefit pension valuation, even though this draws upon the expertise of actuarial experts engaged by the pension fund itself. While we are aware that management has discussed the assumptions to be used with the scheme actuary, this review and challenge by management has not been documented for our review in line with the requirements of auditing standards for an effective management review control.
- We assessed the competency and objectivity of the Scheme actuaries and did not identify any reportable findings.
- •Given this is a first-year audit, we have considered the impact of the 31 March 2022 valuation. An actuarial experience gain of £70,200k was allowed for in the 31 March 2022 IAS 19 results and hence within the accounting DBO. We have reviewed the actuarial calculations between the triennial funding valuation position to the opening IAS 19 figures as at 31 March 2022. Our checks on the actuarial assumptions that feed into that reconciliation and they are within our acceptable tolerances.
- Our actuaries have performed inquiries of the actuaries and have reviewed the underlying assumptions behind the calculation of the estimate. We have concluded that the overall assumptions are balanced relative to our central rates. We have assessed the level of surplus recognised by the Council and did not identify any reportable findings. The minimum funding contributions are higher than the future service cost and therefore no surplus is recognised.
- We have conducted a review of the Council's contractual agreements related to the outsourcing of certain public services, which the Council is legally mandated to provide. As part of this outsourcing process, Council employees who previously delivered these services are transferred to a third-party corporate entity. During the contract period, the third-party corporate entity is responsible for any pension obligations associated with these employees. However, upon the conclusion of the contract, the overall pension obligations (and the associated pension assets) transfer back to the Council. Our evaluation of these 'pass-through arrangements' with third-party corporate entities indicates that the obligations arising from these arrangements fall within the scope of IFRS 9. However, the Council is currently accounting for these 'pass-through arrangements' under IAS 19 'Employee Benefits'. Based on consultations with our technical team, we have concluded that, provided the balance sheet difference is not material, the Council may continue to account for these 'pass-through arrangements' under IAS 19 'Employee Benefits'. Nevertheless, we recommend that the Council provide additional disclosures to explain these 'pass-through arrangements' in detail and conduct an annual assessment of these agreements at the balance sheet date.

Audit risks and our audit approach (cont.)



4

Fraud risk over expenditure recognition – HRA expenditure understatement^(a)

Fraud risk related to the manipulation of housing revenue account expenditure



Significant audit risk

- Professional standards require us to rebuttably identify a significant risk of fraud related to expenditure recognition, reflecting the limited ability for public sector bodies to manipulate revenue whilst still being subject to financial performance targets.
- The Council's Housing Revenue Account (HRA) balance is experiencing financial sustainability pressure, particularly in the short to medium term. At 31 March 2023, the value of the HRA was £19.5m, which was a 27% reduction compared with the prior period. The Council has recently introduced a recovery plan to bring the HRA back into financial health.
- Councils are not permitted to deplete the HRA (or general fund) balance, and therefore the sustainability issues in the HRA, alongside a need to successfully implement the HRA recovery plan, may create pressure to fraudulently overstate the closing HRA balance through under-recognition of expenditure incurred. This would either be through inappropriately capitalising costs that should be expensed, or incompletely recognising liabilities for costs incurred in the year.
- Whilst we have not identified any actual or suspected fraud, we have identified the HRA as the area where the risk of financial reporting fraud is greatest.

Note: (a) Presumed risk that professional standards require us to assess in all cases and which can be rebutted if there is no entity-specific significant risk relating to expenditure recognition.



Our response

We performed the following procedures in order to respond to the significant risk identified:

- We evaluated the design and implementation of controls for developing manual HRA expenditure accruals at the end of the year to verify that they have been completely and accurately recorded;
- We inspected a sample of invoices of HRA expenditure, in the period just after 31 March 2024, to determine whether expenditure has been recognised in the correct accounting period; and
- We inspected journals posted as part of the year end close procedures affecting HRA expenditure that decrease the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence.

Our procedures in respect of this risk were updated following the issue of our initial audit planning document and as set out in our September 2024 progress report.

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Audit risks and our audit approach (cont.)



4

Fraud risk over expenditure recognition – HRA expenditure understatement^(a) (cont.)

Fraud risk related to the manipulation of housing revenue account expenditure



Significant audit risk

- Professional standards require us to rebuttably identify a significant risk of fraud related to expenditure recognition, reflecting the limited ability for public sector bodies to manipulate revenue whilst still being subject to financial performance targets.
- The Council's Housing Revenue Account (HRA) balance is experiencing financial sustainability pressure, particularly in the short to medium term. At 31 March 2023, the value of the HRA was £19.5m, which was a 27% reduction compared with the prior period. The Council has recently introduced a recovery plan to bring the HRA back into financial health.
- Councils are not permitted to deplete the HRA (or general fund) balance, and therefore the sustainability issues in the HRA, alongside a need to successfully implement the HRA recovery plan, may create pressure to fraudulently overstate the closing HRA balance through under-recognition of expenditure incurred. This would either be through inappropriately capitalising costs that should be expensed, or incompletely recognising liabilities for costs incurred in the year.
- Whilst we have not identified any actual or suspected fraud, we have identified the HRA as the area where the risk of financial reporting fraud is greatest.

Note: (a) Presumed risk that professional standards require us to assess in all cases and which can be rebutted if there is no entity-specific significant risk relating to expenditure recognition.



Our findings

- We were unable to conclude on the effective design and implementation of controls to develop manual HRA expenditure accruals as these controls would be dependent on the same journal entry controls which we found to be ineffective. See page 8. In addition, the review of performance against the HRA budget on an ongoing basis is not sufficiently precise to meet auditing standards, although we have separately assessed whether the arrangements for ensuring financial sustainability are sufficient as part of our Value for Money work. Refer to the Auditor's Annual Report for further details.
- Our sample testing of HRA expenditure recorded after year-end did not identify any expenditure which was recorded in the wrong accounting period.
- We identified 17 journal entries which either reclassified HRA expenditure into the General Fund, or transferred income into the HRA from the General Fund. We did not identify any indication of manipulation of the HRA outturn from these journal entries.

Conclusion: We did not identify any evidence of inappropriate recognition of HRA expenditure.

Audit risks and our audit approach (cont.)



5

Valuation of investment properties

Risk of error related to the incorrect valuation of investment properties



Other audit risk

- The Council's investment property portfolio of £343m includes a number of commercial rent units, including a large real estate scheme near the Council's offices in London Bridge.
- Under the Code these are considered 'Investment Properties' due to the intention of maximising rental values or capital appreciation. The standard requires this class of assets to be valued at each year end.
- The valuation is subject to movements based on current market conditions which contain a heightened degree of uncertainty, in particular for commercial offices.
- Also, dependent on the type of valuation undertaken, there are a number of assumptions used in the valuation of the assets which are subjective, and could impact the overall valuation at the year end and movement during the year.



Our response

We performed the following procedures:

- Reviewed the portfolio of investment properties, focussing on the accounting treatment and disclosure of these in the financial statements;
- Used KPMG valuation specialists to review the valuation of the Council's investment properties;
- Assessed the competence, experience, and independence of the Council's valuation firm;
- Considered the reasonableness of assumptions that have been made against benchmark data; and
- Verified the accuracy of underlying data, such as tenancies and property details.

Audit risks and our audit approach (cont.)



5

Valuation of investment properties (cont.)

Risk of error related to the incorrect valuation of investment properties



Other audit risk

- The Council's investment property portfolio of £343m includes a number of commercial rent units, including a large real estate scheme near the Council's offices in London Bridge.
- Under the Code these are considered 'Investment Properties' due to the intention of maximising rental values or capital appreciation. The standard requires this class of assets to be valued at each year end.
- The valuation is subject to movements based on current market conditions which contain a heightened degree of uncertainty, in particular for commercial offices.
- Also, dependent on the type of valuation undertaken, there are a number of assumptions used in the valuation of the assets which are subjective, and could impact the overall valuation at the year end and movement during the year.



Our findings

- We were broadly satisfied with the accounting and disclosure of the valuation of investment properties.
- There was one investment property, being a land site, where the value of the site had diminished significantly year-on-year. We did not consider the valuation to be supported by available comparable data and considered the asset to be understated to the tune of approximately £9.48m and was therefore cautious. This has been adjusted by management.
- As none of the other assets we selected contained a similar error, we did not consider the matter to be systematic and therefore we were able to reach a conclusion that the valuation of investment properties was free from material error.
- We were content with the independence, objectivity and expertise of Cluttons and were satisfied that their work could be relied upon for audit purposes. This is the first year the Council has worked with an external specialist. Our queries were reviewed and discussed with us by the Council prior to being passed to the valuer as part of gaining familiarity with the process. However, in future we would anticipate that we have greater ability to interact directly with Cluttons, including private meetings (if required), notwithstanding the Council's responsibilities to oversee the process.
- Our work to agree the underlying data behind the valuations to supporting records did not identify any exceptions.

Conclusion: We are satisfied that the valuation of investment properties, whilst cautious, is materially acceptable.

Audit risks and our audit approach (cont.)

6

Accuracy and valuation of PFI liabilities

Risk of error related to the incorrect recording of liabilities arising from assets funded through the private finance initiative

Other audit risk	Our response
- As at 31 March 2023 the Council has PFI liabilities totalling £76m and assets purchases through PFI totalling £79m. - PFI schemes are based on complex financial models which, aside from needing to mirror the contractual terms, contain assumptions about future events – namely inflation. - There is a risk, due to the complexity of the financial models, that the value of the PFI liabilities recognised in the financial statements are incorrect. Our response, set out to the right, has been updated following further risk assessment.	We performed the following procedures: - For a sample of PFI schemes, read the contract to ensure all pertinent contractual terms are included within the model; - Re-calculated the model, testing the validity of the formulas inherent to the model and ensuring that the model correctly calculates the different types of charges and the closing liability each period; and - Re-calculated the financial statement disclosures in reference to the tested models.

Audit risks and our audit approach (cont.)

6 Accuracy and valuation of PFI liabilities (cont.)

Risk of error related to the incorrect recording of liabilities arising from assets funded through the private finance initiative



Other audit risk

- As at 31 March 2023 the Council has PFI liabilities totalling £76m and assets purchases through PFI totalling £79m.
- PFI schemes are based on complex financial models which, aside from needing to mirror the contractual terms, contain assumptions about future events – namely inflation.
- There is a risk, due to the complexity of the financial models, that the value of the PFI liabilities recognised in the financial statements are incorrect.



Our findings

- We selected one school PFI, as the three school PFIs collectively made up the majority of the PFI liability. Our work to agree the inputs to the underlying contract identified no exceptions.
- We used our KPMG modelling specialists to assess the functionality of all of the Council's four PFI models. In respect of the functionality driving accounting entries, we were satisfied that the models worked correctly and correctly reflected the economics of the underlying contracts.
- We were satisfied that the accounting entries correctly reflected the PFI liabilities as at 31 March 2023 as calculated by the models.

Conclusion: We are satisfied that the accounting of the PFI liabilities is materially correct.

Audit risks and our audit approach (cont.)

7

Presentation of IFRS 16 pre-transition disclosures

Risk of error related to the incorrect presentation of disclosures related to the implementation of the IFRS 16 Leases standard



Other audit risk

- In accordance with the CIPFA Code, the Council is required to adopt IFRS 16 Leases from the 31 March 2025 year-end.
- The Code requires that the Council produces either quantitative or qualitative disclosures in the 31 March 2024 financial statements setting out the anticipated impact of the transition to IFRS 16.
- Under the new standard, the Council will be required to recognise right of use assets and lease liabilities relating to operating leases which are currently held off balance sheet. There are also changes to the accounting of finance leases but there is less impact compared to the operating leases because finance leases are already held on balance sheet.
- Whilst the value of the operating leases is small (at 31 March 2023, the future minimum lease payments were under £10m), the new disclosures related to the transition to the new standard are risky because:
- The Council has not previously been required to prepare this kind of disclosure before;
- There can be difficulties in establishing the completeness of the list of assets; and
- There are complexities in the identification of leases that are affected, including peppercorn leases.



Our response

We performed the following procedures:

- Inquired of management to understand whether the Council intended to prepare quantitative (and if so, the value) or qualitative disclosures;
- Inquired of management to understand how the Council planned to transition to IFRS 16, and assessed whether the transition plan was appropriate; and
- Assessed whether the disclosures made are in line with the CIPFA Code, our understanding of the Council, and the transition plan described to us by management.

Audit risks and our audit approach (cont.)



7 Presentation of IFRS 16 pre-transition disclosures (cont.)

Risk of error related to the incorrect presentation of disclosures related to the implementation of the IFRS 16 Leases standard



Other audit risk

- In accordance with the CIPFA Code, the Council is required to adopt IFRS 16 Leases from the 31 March 2025 year-end.
- The Code requires that the Council produces either quantitative or qualitative disclosures in the 31 March 2024 financial statements setting out the anticipated impact of the transition to IFRS 16.
- Under the new standard, the Council will be required to recognise right of use assets and lease liabilities relating to operating leases which are currently held off balance sheet. There are also changes to the accounting of finance leases but there is less impact compared to the operating leases because finance leases are already held on balance sheet.
- Whilst the value of the operating leases is small (at 31 March 2023, the future minimum lease payments were under £10m), the new disclosures related to the transition to the new standard are risky because:
- The Council has not previously been required to prepare this kind of disclosure before;
- There can be difficulties in establishing the completeness of the list of assets; and
- There are complexities in the identification of leases that are affected, including peppercorn leases.



Our findings

- The Council did not have a detailed plan for adoption of IFRS 16 when preparing the 31 March 2024 accounts. The Council did not know the exact impact of the adoption, although felt that the impact was not material.
- The Council prepared a qualitative disclosure setting out that the impact of transitioning to IFRS 16 was not expected to be material. Based on our knowledge of the Council's leases we do not believe this is an unreasonable statement. The disclosure presented is compliant with the requirements of the CIPFA Code.

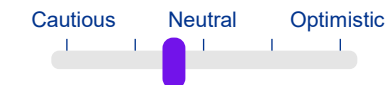
Conclusion: We are satisfied that the disclosures prepared in relation to IFRS 16 transition were, in all material respects, reasonable. However, the Council will need to ensure it develops a robust plan to adopt IFRS 16 ahead of publication of the 31 March 2025 accounts.

Key accounting estimates and management judgements – Overview



Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.



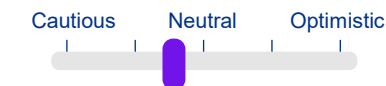
Asset/liability class	Our view of management judgement	Balance (£'000s)	YoY change (£'000s)	Our view of disclosure of judgements & estimates	Further comments
Asset 1 Council dwellings	Cautious Neutral Optimistic	3,506,724	76,363	Needs improvement Neutral Best practice	We believe the valuation was cautious as we found comparative data which contradicted the valuation recorded for one asset. The disclosure was acceptable but should include a more detailed sensitivity analysis to fully comply with the requirements of the Code. We have raised a recommendation to this effect.
Asset 2 Other land and buildings - specialised	Cautious Neutral Optimistic	1,209,180	157,827	Needs improvement Neutral Best practice	We did not identify any issues with the assumptions underpinning the valuation. The disclosure was acceptable but should include a more detailed sensitivity analysis to fully comply with the requirements of the Code. We have raised a recommendation to this effect.
Asset 3 Other land and buildings – non-specialised	Cautious Neutral Optimistic			Needs improvement Neutral Best practice	We identified one property which we considered to be misstated because the reduction in asset value was not supported by available data. This has been amended. We were satisfied with the disclosures reached.
Asset 4 Investment properties	Cautious Neutral Optimistic	281,457	(31,775)	Needs improvement Neutral Best practice	

Key accounting estimates and management judgements – Overview



Our view of management judgement (cont.)

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.



Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Asset 5 Defined benefit plan assets – LGPS	Cautious Neutral Optimistic	2,176,000	203,905	Needs improvement Neutral Best practice	We did not identify any issues with the assumptions underpinning the valuation of either the asset or liability, or in determining the application of the asset ceiling which restricts the net pension asset to £nil. The disclosure was acceptable but we requested additional disclosures, in particular in relation to the treatment of pass-through arrangements with other parties.
Asset 6 LGPS asset ceiling	Cautious Neutral Optimistic	(347,800)	206,905	Needs improvement Neutral Best practice	
Liability 1 Defined benefit plan obligations – LGPS	Cautious Neutral Optimistic	(1,828,200)	3,000	Needs improvement Neutral Best practice	

Other significant matters

Control deficiencies

We obtain an understanding of internal control to design appropriate audit procedures, but not to express an opinion on the effectiveness of the Council's internal control.

To the right we have set out the red-rated recommendations and the highest priority amber-rated recommendations.

Full detail of recommendations raised can be found in the appendix and are summarised below.

Key:

-  These are significant control deficiencies which increase the likelihood and potential magnitude of a material misstatement in the financial statements. We have identified 1 significant control deficiency in the current year.
-  These are matters of sufficient importance to note such as weaknesses which were subsequently corrected and matters that could be significant in the future if left unaddressed. We have identified 10 of such deficiencies in the current year.
-  These are less significant weaknesses but which we considered to be of sufficient importance to merit management's attention. We have raised 2 related observations in the current year.

Journal authorisation

The Council has a process where journal entries require authorisation prior to posting in SAP. Whilst none of the journal entries we selected for testing lacked authorisation, we note that the system does not enforce authorisation meaning there is a risk that a journal could be posted without approval.

Document accessibility

The Council found it difficult to locate the audit evidence we required for several audit procedures. This may also impact on the efficiency of teams and in responding to FoI requests. We recommend that the Council investigates ways in which it can be made easier to locate documents, for instance using a document management system.

Related parties

The Council used old declarations of interest as part of identification of related parties, in some cases with the declarations dating back to 2016. In many cases we identified more recent declarations on the Council's website, although we acknowledge these may not have existed at the time of preparing the disclosure.

SAP Training

The configuration of the Council's SAP system is not in line with current best practice, such as in relation to security configuration. Discussions with the SAP team established that they may not have access to training and resources to ensure they remain abreast of best practice in SAP.

Prior year restatements

We identified prior year restatements in relation to two disclosures, as well as the presentation of investments on the balance sheet and cash flow statement. For more detail refer to page 43.

Significant audit misstatements

Management has approved the correction of the audit misstatements detailed on page 40 and they are reflected in the draft financial statements. A summary of the uncorrected audit misstatements is detailed on page 39.

The misstatements identified, and their estimated financial impact on the deficit on the provision of services, are summarised in the table on the right.

In line with ISA (UK) 450 we request that you correct uncorrected misstatements.

- If the uncorrected factual audit misstatements were posted, they would decrease the deficit on the provision of services by £3m.
- For our views on management estimates – see Page 19 (Key accounting estimates)
- A detailed summary of corrected and uncorrected audit misstatements and omissions and errors in disclosure is included in the appendix.

Types of misstatement

- **Factual:** Misstatements about which there is no doubt
- **Projected:** Our best estimate of misstatements in the audited populations
- **Judgemental:** Differences arising from judgments of management that we consider unreasonable or inappropriate

Audit misstatements – Deficit on the provision of services

	Type	£'000s	Comment
Trial balance		167,498	
Corrected misstatements			
Investment properties	Judgemental	(9,480)	The reduction in value for one investment property could not be supported by market comparatives. We therefore believe the valuation of this investment property was incorrect. This has no general fund impact.
Property, plant and equipment	Factual	10,841	The valuation of some properties was recorded incorrectly because, for some properties, updated valuations were obtained after publication of the draft accounts and for others impairments which should have been recorded were omitted. This has no general fund impact.
Uncorrected misstatements			
Pensions	Judgemental	(15,000)	Where the Council has transferred staff to a third party and the staff are members of LGPS, the Council indemnifies those third parties against fluctuations in LGPS contribution rates. At the moment, the third parties pay higher contribution rates than the Council does, leading to a financial benefit. This has no general fund impact.
Our assessment		153,859	

Disclosure

Matter	IAS/IFRS ref	Comment
Estimation uncertainty	IAS 1.129	A sensitivity analysis has not been included for estimates which contain a significant degree of estimation uncertainty. For now the Council has included a disclosure saying it is impractical but the Council should look to include an analysis in the future.
Pass through arrangements	IAS 1.117	Additional narrative has been added to reflect the accounting of pass-through arrangements where the Council indemnifies third parties against fluctuations in contribution rates. Narrative has been updated to reflect how the LGPS assets are determined in a non-triennial valuation year.

Other matters

Narrative report

We have read the contents of the Narrative Report and checked compliance with the requirements of the Annual Report and financial statements with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ('the Code'). Based on the work performed:

- We have not identified any inconsistencies between the contents of the Narrative Report and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the statements of the Council.

As Audit and Governance Committee members you confirm that you consider that the Narrative Report and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the Council's performance, model and strategy.

Annual Governance Statement

We have reviewed the Council's 2023/24 Annual Governance Statement and confirmed that:

- It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and
- It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

Whole of Government Accounts

As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack.

We have confirmed that, for Southwark Council, the threshold at which detailed testing is required has not been exceeded.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Audit Fees

Our PSAA proscribed 2023/24 audit scale fee for the audit was £555,885 + VAT. We have also discussed fee variations with the Strategic Director of Finance in relation to the following matters. These will be subject to consideration and approval by PSAA:

We have also completed non audit work at the Council during the year on grants and returns and have included on page 37 confirmation of safeguards that have been put in place to preserve our independence.

Value for Money

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

We have prepared our Auditor’s Annual Report and a copy of the report is included within the papers for the Committee alongside this report. The report is required to be published on your website alongside the publication of the annual report and accounts.

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

As noted on the right, we have identified 3 risks of a significant weakness in the Council’s arrangements to secure value for money. Within our Auditor’s Annual Report we have set out our response to those risks.

Within our Auditor’s Annual Report we will set out recommendations in response to those significant risks

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	1 significant risk identified	Significant weaknesses identified
Governance	2 significant risks identified	Significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	Significant weaknesses identified (based on outcome of work in relation to governance risk)

We revised our planned procedures in relation to significant risks relating to Tenant Management Organisations (TMOs) and Major Works. We had planned to inspect arrangements on a sample of TMOs and Major Works projects. However as our procedures to understand the arrangements in place at the Council found them to not operate consistently, we concluded that it is unnecessary to inspect the operation of arrangements that we already determined to be ineffective.

Further detail is set out overleaf.

Performance improvement observations

As part of our work we have identified Performance Improvement Observations, which are suggestions for improvement but not responses to identified significant weaknesses. These are detailed from page 29.

Significant Value for Money Risk

1

Sustainability of Housing Revenue Account

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

Significant Value for Money Risk	Our response	Our findings
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.	We performed the following procedures: - Obtained and read the HRA Recovery Plan. Assessed whether the HRA Recovery Plan was subject to appropriate review, challenge, and approval prior to coming into force. - Ensured the HRA Recovery Plan was plausible in reference to forecast inflation rates; new building safety regulations; and capital expenditure required in respect of stock condition and known capital commitments (e.g., for new homes). - Evaluated the factors causing the HRA overspend during 2023/24, and assessed whether there was appropriate arrangements to monitor and control spending during the year. - Assessed whether the impact of the HRA overspend during 2023/24 had been appropriately factored into the HRA Recovery Plan.	The HRA recovery plan was developed as a management tool to inform reactive decision making over the HRA in 2023/24, and to set the budget for 2024/25 and future periods. On account of its “emergency” nature it was not subject to formal approval prior to its introduction but now underpins the budgets which are approved in accordance with the Council’s constitutional requirements. The recovery plan is a live document and is regularly updated by management to respond to overspends, changes in economic factors, and capital investment decisions. The Council therefore can react to emerging issues as they arise. The plan was helpful at reducing the extent of HRA overspend in 2023/24 that otherwise would have arisen. An external inspection of the Council's housing function established that the Council does not have a clear picture of its stock condition. This means the plan may not accurately reflect the capital investment needed in homes, the borrowing required to fund that investment, and the interest which accrues to the HRA on account of that borrowing.

Significant Value for Money Risk

2 Management of Tenant Management Organisations

Significant Value for Money risk linked to the domain of governance

Significant Value for Money Risk

The 2022/23 Auditor’s Annual Report makes reference to significant weaknesses in arrangements in relation to governance over the Fair Community Housing Services Tenant Management Organisation (TMO).

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 to step in and direct the TMO if underperforming.

An internal audit review was issued during the financial year in relation to that significant weakness. 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 Services 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 performed the following procedures:

- Assessed 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.
- Assessed whether the Council has developed a reasonable action plan in response to the Internal Audit review in relation to Fair Community Housing.

Our findings

The Council received several other internal audit reviews as part of routine inspections of TMO arrangements over the course of the year. These reviews found weaknesses in arrangements at further TMOs, suggesting a pervasive weakness in the Council’s governance arrangements.

The Council has also not yet implemented all the actions it committed to implementing per a January 2024 Internal Audit review, although there is evidence of progress having been made post year-end.

Furthermore, in November 2024 the Regulator of Social Housing published the results of an inspection into the Council’s arrangements for managing social housing. This identified weaknesses in governance arrangements for three TMOs.

Whilst that inspection took place post year-end, the information gained, combined with knowledge brought forward from prior year audits and the in-year reviews indicates that arrangements were inadequate during 23/24.

Significant Value for Money Risk

3

Major works contract management

Significant Value for Money risk linked to the domain of governance

Significant Value for Money Risk	Our response	Our findings
Allegations raised from media reports and other information received by us stated 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. This included works at two estates, Devon Mansions and Canada Estate. 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.	We performed the following procedures: • Evaluated the process by which the Council monitors the performance of contractors and consultants. • Evaluated whether the Council had adequate controls in place to review works performed and progress to date prior to making payments to contractors.	The Council's arrangements are heavily dependent on a single third party to monitor contractors, with the Council's own contract management arrangements appearing hands-off despite the Council having identified concerns with the consultant's work. The Council did not physically inspect the quality of works being performed by contractors in relation to major works in order to ensure the works were being properly performed, and whether contractors can be held to account. The Council makes payments to contractors when a valid certified application for payment is received from the contractors, after which the Council is legally obliged to make payment. Such a payment process is typical for the construction industry and is not considered unreasonable.

Value for Money: Performance improvement observations

The performance improvement observations raised as a result of our work in respect of identified or potential significant value for money risks in the current year are as follows:

Priority rating for observations					
1	Priority one: Observations linked to issues where, if not rectified, these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: Observations linked to issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately, but the weakness remains in the system.	3	Priority three: Observations linked to issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	2	Quality and performance monitoring We identified that the Council has a performance monitoring arrangement, however the Council’s performance against the KPIs it has determined are not subject to scrutiny by any public part of the governance structure. Furthermore, we could not tell if the Council took the views of external stakeholders when designing these KPIs. This scrutiny is important in ensuring the Council meets the commitment it makes to residents. If the KPIs are not aligned to the prioritises of service users, there is a risk that the KPIs do not measure the right thing. We recommend that the Council takes its KPI dashboard to Overview and Scrutiny Committee on a regular basis and takes feedback from members as to whether the KPIs are in line with constituent’s views.	

Value for Money: Performance improvement observations

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
2	2	Risk management The Council's annual risk paper, as presented to Audit, Governance and Standards Committee in February 2024, stated that the risk register is not formally reviewed by the Corporate Management Team. We also could not see evidence of the risk register being reviewed by Cabinet. We would expect both reviews to take place to ensure that risks are receiving appropriate scrutiny and mitigation, and that officers are held to account for adequately managing risks in their areas. We recommend that the risk register is reviewed by both the Corporate Management Team and Cabinet on a regular basis.	
3	2	Tender Waivers The Council does not currently collate a single register of tender waivers, nor presents such a list for scrutiny by any part of the Council's governance structure. As tender waivers are an area where the Council is at greater risk of not receiving best value in services procured, it is important that waivers are subject to monitoring and oversight, with officers held to account should there be waivers which may indicate the Council is achieving poor value for money. We recommend that the Council centrally collect details on all waivers, and present them for review and challenge by the Audit, Governance and Standards Committee at each meeting.	
4	2	Leisure service performance monitoring During 2023/24, the Council completed its in-sourcing of leisure services. As a consequence, the Council now operates a leisure service. The in-sourcing arose due to a view that the Council can provide a better quality service more cheaply than the private sector. As the in-sourcing arose due to the Council believing it can achieve superior economy, efficiency, and effectiveness in the leisure service, it is important that the Council has a mechanism to determine whether it is achieving all the benefits it anticipated when approving the business case. We recommend that the Council develop a suite of KPIs for monitoring the economy, efficiency, and effectiveness of the leisure service, consulting with service users to identify what is important to them.	

Value for Money: Performance improvement observations

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
5	2	Savings plans The Council's medium term financial strategy is predicated on the achievement of efficiency plans and, to a lesser extent, income generation activities and changes to the nature of services provided. We could not see any examples of where the Council actively monitors the effectiveness of individual plans beyond the review of the revenue outturn on a regular basis. Whilst the Council is not strongly dependent on the success of savings plans, it is best practice for the Council to individually monitor plans to ensure that a) they are achieving the desired financial benefit, and b) there is no unacceptable reduction to the quality of services. We recommend that this review is built into the Cabinet's review of the revenue outturn reports.	
6	3	Service charges The Council has received challenge from leaseholders as to the economy, efficiency, and effectiveness of the services they are required to pay for under leasehold law. Under that law, leaseholders are required to pay whatever a valid demand from the landlord (i.e. the Council) says, although they can challenge that demand at tribunal. Many landlords engage a firm of accountants or internal audit to perform procedures or an audit over service charge statements in order to confirm they are properly prepared in accordance with leases. As part of the Council's efforts to rebuild trust with leaseholders, we encourage the Council to consider whether such an exercise may be valuable.	

Value for Money: Performance improvement observations

Below we have set out our findings from following up performance improvement observations raised in prior periods:

* As raised by the predecessor auditor, Grant Thornton.

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of January 2025
1	We* recommend the Council undertakes its own analysis of its relative level of reserves and its policy towards earmarked reserves in comparison to peer councils, in order to test its reserves strategy.	We will undertake a comparison exercise of reserve levels with peer councils on an annual basis when updating our Medium Term Financial Strategy.	Not implemented. This was not part of the 2024-25 budget setting undertaken in February 2024. We will review whether this formed part of the 2025-26 budget setting when we prepare our next Auditor's Annual Report.
2	The Council should consider including an independent member with accounting experience to the Audit, Governance & Standards Committee.	This will be considered as part of the annual self-assessment exercise undertaken by Audit, Governance and Standards Committee members.	Not implemented.
3	The Council should prioritise the review of the procurement service including Contract Management to ensure it is fit for purpose and ready for the implementation of new procurement legislation in early 2024.	Refer to 2021-22 Auditor's Annual Report	Not implemented. Note the activation of the new Procurement Act has been pushed back later into 2025.
4	The Council should consider reviewing its process for and its reporting of tender waivers with a view to introducing them as soon as possible.	Refer to 2021-22 Auditor's Annual Report	Not implemented. See new observation 3.

Appendices

Required communications

Type	Response
Our draft management representation letter	☒ OK We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024.
Adjusted audit differences	☒ OK There were 7 adjusted audit differences with nil net impact. See p40.
Unadjusted audit differences	☒ OK The aggregated deficit impact of unadjusted audit differences would be £15m, although this would be adjusted out of the general fund into unusable reserves. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate. See p39.
Related parties	☒ OK There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	☒ OK There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	☒ OK We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit in this report.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	☒ OK No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Make a referral to the regulator	☒ OK If we identify that potential unlawful expenditure might be incurred then we are required to make a referral to your regulator. We have not identified any such matters.
Issue a report in the public interest	☒ OK We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties	☒ OK No significant difficulties were encountered during the audit/OR explain any significant difficulties.
Modifications to auditor's report	☒ OK We are modifying our auditor's report in relation to the significant weaknesses identified in the use of resources. See page [x].
Disagreements with management or scope limitations	☒ OK The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	☒ OK No material inconsistencies were identified related to other information in the narrative report. The narrative report is fair, balanced and comprehensive, and complies with the law.
Breaches of independence	☒ OK No matters to report. The engagement team and others in the firm, as appropriate, and the firm have complied with relevant ethical requirements regarding independence.
Accounting practices	☒ OK Over the course of our audit, we have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	☒ OK No significant matters from the audit were discussed, or subject to correspondence, with management.
Certify the audit as complete	☒ OK We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.
Provide a statement to the NAO on your consolidation schedule	☒ OK We will issue our report to the National Audit Office following the signing of the annual report and accounts.

Fees

Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

	2023/24 (£'000)	2022/23 (£'000)
Statutory audit	556	196 ^(a)
ISA (UK) 315 (Revised)	16	12
ISA (UK) 240	TBC	
Other variations (see right)	TBC	127
TOTAL	TBC	335
<i>Variations as % of scale fee</i>	<i>TBC</i>	<i>71%</i>

The pension fund audit fee was £75,000. Full details are included in the Year End Report in respect of the Pension Fund Audit.

Note: (a) Fee charged by Grant Thornton – your predecessor auditor.

Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.
- As per PSAA's Scale Fees Consultation, the scale fees did not include new requirements of ISA (UK) 315 (Revised) (risk of material misstatement); or ISA (UK) 240 (auditor's responsibilities relating to fraud).
- Additional fees will be subject to the fees variation process as outlined by the PSAA.

Proposed fee variations

	Recurrent?	£
New auditing standards (ISA (UK) 315) not included in scale fee	Yes – now built into FY25 scale fee by PSAA	16,137
New auditing standards (ISA (UK) 240) not included in scale fee	Yes – now built into FY25 scale fee by PSAA	Pending discussion and agreement with management
Work in relation to cyber-security matters	No assuming cyber issues are rectified in FY25	
First year audit work on PFI schemes	No	
Technical consultations on prior year restatements	No	
Technical consultations on pensions accounting	No	
Additional work in relation to issues within valuation of land and buildings, and investment property	No	
Value for Money significant risks	Yes, if issues triggering risks are not resolved in FY25	

Confirmation of Independence

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

To the Audit and Risk Committee members

Assessment of our objectivity and independence as auditor of Southwark Council

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

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

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

General procedures to safeguard independence and objectivity

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

As a result we have underlying safeguards in place to maintain independence through:

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

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

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

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out on the table overleaf.

Confirmation of Independence (cont.)

Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2024 £'000s	Value of Services Committed but not yet delivered £'000s
Other Assurance Services	Agreed upon procedures in relation to the housing benefit subsidy return.	Self review Management	- The work is performed by a separate engagement team to the audit team, and the work is not relied on within the audit file. - Our work does not involve judgement and are statements of fact based on agreed upon procedures.	Fixed	-	50,000
	Agreed upon procedures in relation to the teachers pension scheme return.	Self review Management	- The work is performed by a separate engagement team to the audit team, and the work is not relied on within the audit file. - Our work does not involve judgement and are statements of fact based on agreed upon procedures.	Fixed	-	6,000
	Agreed upon procedures in relation to the pooling of housing capital receipts return.	Self review Management	- The work is performed by a separate engagement team to the audit team, and the work is not relied on within the audit file. - Our work does not involve judgement and are statements of fact based on agreed upon procedures.	Fixed	-	6,000

Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Council and its affiliates for professional services provided by us during the reporting period.

	2023/24
	£'000
Statutory audit (including pension fund audit)	631
Other Assurance Services	62
Total Fees	693

Fee ratio

The anticipated ratio of non-audit fees to audit fees for the year was 0.1 : 1, or 11% which is compliant with Auditor Guidance Note 1 (AGN01). We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

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

Application of the FRC Ethical Standard 2019

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

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

Independence and objectivity considerations relating to other matters

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

Confirmation of audit independence

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

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

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

Yours faithfully
KPMG LLP

Uncorrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit, Governance and Standards Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit, Governance and Standards Committee, details of all adjustments greater than £805k shown below:

Uncorrected audit differences (£'000s)				
No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
1	Dr Financial Assets	-	15,000	Where the Council has transferred staff to a third party and the staff are members of LGPS, the Council indemnifies those third parties against fluctuations in LGPS contribution rates. At the moment, the third parties pay higher contribution rates than the Council does, leading to a financial asset. There is no impact on the pension balances because the net asset is restricted to nil.
	Cr Financing and Investment Income and Expenditure	(15,000)	-	
	Dr Adjustments between accounting and funding basis	15,000	-	Our estimation is the benefit to the Council at 31 March 2024 is £15m, of which £3m of benefit was generated during 2023/24 and £12m of benefit was generated in prior periods (but is not material so is not restated). Our view is this benefit is not chargeable to Council Tax and therefore is adjusted to the Financial Instruments Adjustment Account.
	Cr Financial Instruments Adjustment Account	-	(15,000)	
Total		-	-	

The following uncorrected matters in disclosures were identified:

- The Council has not included a sensitivity analysis for estimates with significant estimation uncertainty. The Council has indicated that it believes it is impractical to do so, which is an appropriate disclosure, but a sensitivity analysis should be prepared in the future.

Corrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit, Governance and Standards Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Corrected audit differences (£'000s)				
No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
1	Dr Cash equivalents	-	1,001	The entity's accounting policy is that cash-like investments with a maturity shorter than 3 months are presented as cash equivalents. However, deposits with the DMO, which have a maturity of c. 1 week, were incorrectly presented as investments. This was because the Council incorrectly applied its policy, on account of there being no option to withdraw the DMO deposits early.
	Cr Short term investments	-	(1,001)	
2	Dr Cash	-	3,006	The NatWest accounts are in a net overdraft position but this is presented net with surplus cash held at Lloyds and HSBC. As there is no ability to offset, the Lloyds/HSBC cash should be shown as an asset. We believe this to be due to a mistake.
	Cr Bank overdraft	-	(3,006)	
3	Dr Trade receivables	-	2,533	The misstatement related to two reconciling items that related to cash timing. In one case cash was recognised when the Council was aware it would receive it, but it has not arrived yet; another was where cash was derecognised when a payment was made but the money had not yet left the account.
	Cr Trade payables	-	(10,987)	
	Dr Bank overdraft	-	8,454	
4	Dr Other specific revenue grants	1,579	-	Revenue grants that comes with a condition to repay-back if unused is very rare for local authorities and only for emerging issues, such as this energy bill support scheme. There was an error made when returning the grant as there was a request to code it against revenue, but it was incorrectly booked against expenditure by the payments team.
	Cr Other operating expenses	(1,579)	-	
5	Dr Investment properties	-	9,480	The reduction in value for one investment property could not be supported by market comparatives. We therefore believe the valuation of this investment property was incorrect.
	Cr Financing and Investment Income and Expenditure	(9,480)	-	
	Dr Adjustments between accounting and funding basis	9,480	-	
	Cr Capital Adjustment Account	-	(9,480)	
Continued overleaf				

Corrected audit misstatements

Corrected audit differences (£'000s)				
No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
6	Cr Other land and buildings	-	(20,703)	Some low-value assets were re-valued by Cluttons, but due to timing pressures in publishing the draft financial statements the valuation was not posted into the ledger. As part of this, it was identified that hostels were incorrectly classified as dwellings.
	Cr Council Dwellings	-	(114,509)	
	Cr Investment Property	-	(761)	Also, additions to Council Dwellings made during 2023/24 were double counted within the closing balance of PPE, because the value of the additions was not netted against the fair value adjustment on the assets.
	Dr Deficit on revaluation of non current assets – CIES	10,080	-	
	Dr Deficit on revaluation of non current assets – OCI	125,132	-	Finally, impairments of assets on account of decanting unsafe properties were not recorded.
	Dr Income, expenditure and changes in the fair value of investment properties	761	-	
	Dr Adjustments between accounting and funding basis	(135,972)	-	
	Dr Capital Adjustment Account	-	125,349	
	Dr Revaluation Reserve	-	10,623	
7	Dr Net cost of services - Income	2,050	-	On occasion, one part of the Council sells a service to another part of the Council, for instance a school might pay for a parking ticket. Some of these intra-Council charges were not netted off, leading to an overstatement of both income and expenditure but with no impact on the net cost of services.
	Cr Net cost of services - Expenditure	(2,050)	-	
Total		-	-	

Corrected audit misstatements



Updates to disclosures have been made as follows:

- Note 2: An accounting policy for shared ownership properties has been added.
- Notes 25 and 26: The net movements in investments and borrowings have been re-stated as gross purchases and sales in accordance with IAS 7.22, which requires cash flows to be presented gross except in certain specific circumstances.
- Note 32: An omitted related party transaction in relation to one member has now been added.
- Note 38: Additional narrative has been added to reflect the accounting of pass-through arrangements where the Council indemnifies third parties against fluctuations in contribution rates. Narrative has been updated to reflect how the LGPS assets are determined in a non-triennial valuation year.
- Collection fund: Additional narrative has been added to explain the difference between the council tax split percentages and the value of the council tax surplus to be distributed.
- In addition, various updates to correct arithmetic errors and as a consequence of internal review.

Corrected prior period adjustment misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit, Governance and Standards Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements. These adjustments have necessitated a restatement of prior period comparatives because the impact to the prior period comparatives is, in our view, material to the users of the accounts.

Corrected audit differences – prior periods (£'000s)				
No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
1	Dr Cash equivalents	-	30,010	The entity's accounting policy is that cash-like investments with a maturity shorter than 3 months are presented as cash equivalents. However, deposits with the DMO, which have a maturity of c. 1 week, were incorrectly presented as investments. This was because the Council incorrectly applied its policy, on account of there being no option to withdraw the DMO deposits early.
	Cr Short term investments	-	(30,010)	
Total		-	-	

In addition, the following adjustments to prior period comparatives in disclosures were made:

- Notes 25 and 26: Aside from consequential updates as a result of the above matter, the net movements in investments and borrowings have been re-stated as gross purchases and sales in accordance with IAS 7.22, which requires cash flows to be presented gross except in certain specific circumstances.
- Note 32: The value of prior period transactions was incorrect as the balances only reflected the amounts outstanding at the balance sheet date, and not the in-year income and expenditure. As a consequence of making this amendment, the number of councilors and officers for each class of transaction was updated.
- Note 39: The prior period figures for financial assets did not reconcile to the balance sheet.

Control Deficiencies



The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations					
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	3	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	1	Journal authorisation The Council has a process where journal entries require authorisation prior to posting in SAP. Whilst none of the journal entries we selected for testing lacked authorisation, we note that the system – as configured – does not enforce authorisation meaning there is a risk that a journal could be posted without approval. We understand the limitations the Council has identified in the current system meaning they do not believe an approval workflow will be useful. The Council should consider introducing an approval workflow in its replacement finance system.	<i>All recommendations have been discussed with management and agreed in principle. Full responses are in the process of being developed along with timescales for implementation and will be provided in a final version prior to the signing of the financial statements.</i>
2	2	Grant returns We identified a misstatement in expenditure because the Council had recognised a returned grant as an expense and not as a reduction to income. It transpired that this arose because the cashiers department did not correctly follow the instructions for posting the CHAPS payment. We recommend that the Council finds ways to simplify the way in which information is provided to different teams for processing as we believe this would reduce the likelihood of error. This could be done, for instance, through standardised finance request forms.	

Control Deficiencies

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
3	2	IFRS 16 The Council did not have a clear transition plan or policy in place for the transition to IFRS 16. As IFRS 16 is in effect from March 2025 year-ends onwards, we recommend that the Council develops a clear plan for implementing IFRS 16 as soon as possible.	
4	2	Related parties The Council used old declarations of interest as part of identification of related parties, in some cases with the declarations dating back to 2016. In many cases we identified more recent declarations on the Council's website, although we acknowledge these may not have existed at the time of preparing the disclosure. If outdated declarations are used, there is a risk the disclosure in the accounts will be incorrect. We recommend that the Council ensures it always uses the most up to date declaration, and chases members to provide declarations if not up to date during the accounts preparation process.	
5	2	Document accessibility The Council found it difficult to locate the audit evidence we required for several audit procedures. This included fees and charges income where the Council found it hard to identify the information needed to evidence revenue recognition under IFRS 15. We appreciate that the Council is a large organisation which means there will always be an element of time to locate documentation. However, if the Council cannot easily locate information, this can generate inefficiencies within departments and make it difficult to comply with Freedom of Information requests in a timely manner. We recommend that the Council investigates ways in which it can be made easier to locate documents, for instance using a document management system.	

Control Deficiencies



#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
6	2	Treasury accounting We identified several misstatements relating to treasury accounting because the bank reconciliation process did not identify errors in the ledger where cash transactions were posted out of line with IFRS 9 requirements. In particular, a BACS payment requested but not cleared from the bank was not recorded as a creditor, as IFRS 9 requires. We recommend that the bank reconciliation process is reviewed to ensure that reconciling items which indicate journal posting out of line with IFRS 9 are identified and corrected, as opposed to closing simply by virtue of being a timing difference.	
7	2	SAP training We identified that the configuration of the Council's SAP system is not in line with current best practice, such as in relation to security configuration. Discussions with the SAP team established that they may not have access to training and resources to ensure they remain abreast of best practice in SAP. We recommend that the Council identifies ways to up-skill the SAP team and ensure they have access to up to date resources and training.	
8	2	Valuation inspections Very few of the Council's buildings were physically inspected by Cluttons as part of the valuations process. We understand that the valuations process was difficult on account of the amount of time available for the preparation of accounts, however inspections are important to ensure valuations correctly reflect the condition of buildings. We recommend that an inspection regime is introduced for future valuation cycles. Such a regime could involve inspecting a certain percentage of assets each year subject to documented risk criteria.	

Control Deficiencies

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
9	2	Beacons We identified a cautious valuation in respect of HRA dwellings because we found contradictory evidence for the valuation of one property. It was difficult to determine the extent to which the finding would affect other properties because the beacon group had a very large number of properties in it, approximately 2,000 whereas most beacons have property numbers in the hundreds. We recommend the Council considers whether it has correctly defined its beacon groups and whether there is any merit in splitting beacon groups up to achieve a more precise valuation.	
10	2	Review of property valuation methodology Our work over the PPE process did not identify a suitable control to be assessed as a management review control in line with the auditing standards. We did see evidence of review by the Council of individual property valuations however this process was not evidenced. We recommend that in the future, formal records are maintained and followed up with the valuer as valuations are received. We also recommend that ahead of the next revaluation, a paper should be approved by Cabinet or the appropriate Committee which covers the valuation approach. This can then feed into the instructions issued to the valuers and ensures that those charged with governance are aware of and satisfied with the approach.	
11	2	Review of pension valuation methodology Auditing standards define a management review control to include independent assessment of underlying assumptions by management. As part of our risk assessment procedures, we carried out a walkthrough to obtain an understanding of the pension assumption review process. We identified that there is no criteria or threshold developed for investigation/identification of outliers for pension assumptions. Therefore, although they do review the output of the actuary, there is no evidence of the review. Thus, there is not sufficiently well-defined process in place for it to meet the criteria of an effective review control. We recommend that management document the outcome of their annual review, including taking this to a relevant committee, to demonstrate appropriate challenge of the assumptions underlying the valuation. This should include demonstrating their view of their own assumptions to compare to those provided by the management expert.	

Control Deficiencies



#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
12	3	Expected credit loss (ECL) provisions The Council has a wide number of ECL provisions reflecting the varying nature of the debt the Council has. We could not identify any central policies or oversight of the approach for setting ECLs. Whilst ECLs should be set in a methodology unique to each form of debt, it would be good practice for corporate finance to set expectations/policies for setting ECLs as part of the closedown guidance for teams.	
13	3	Sensitivity disclosures The CIPFA Code and IFRS requires disclosure of sensitivities for estimates where there is a significant degree of estimation uncertainty. For Southwark, this would be linked to valuations. Sensitivity disclosures should show the impact of changing individual assumptions, such as obsolescence adjustments. We recommend that the Council works with its various valuers to identify ways in which sensitivity disclosures can be calculated and presented.	
14	3	Annual review of Pass through arrangements Our evaluation of the 'pass-through arrangements' with third-party corporate entities indicates that the obligations arising from these arrangements fall within the scope of IFRS 9. However, the Council is currently accounting for these 'pass-through arrangements' under IAS 19 'Employee Benefits'. We have concluded that, provided the balance sheet difference is not material, the Council may continue to account for these 'pass-through arrangements' under IAS 19 'Employee Benefits'. We recommend that the Council provide additional disclosures to explain these 'pass-through arrangements' in detail and conduct an annual assessment of these agreements at the balance sheet date.	
15	3	Council Tax Surplus Calculation, We noted from casting checks performed over the version 1 statement of accounts, that when calculating the monetary figures in Note 4 of the collection fund had been calculated based on rounded percept/council percentages rather than those approved at Council. We recommend that in future periods these percentages are not rounded, and an additional review of this disclosure is conducted by a senior member of the Financial Accounting team.	

Control Deficiencies (cont.)



We have also followed up the recommendations from the previous years audit, in summary:

* As raised by the predecessor auditor, Grant Thornton.

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
9	8	1

#	Risk	Issue, Impact and Recommendation	Current Status (January 2025)
Matters raised prior to the 31 March 2023 audit			
1	1	Valuation date of December 31st We* consider the Council not revaluing assets at the YE date but at December 31 st as posting a significant risk of creating material misstatements in the financial statements. We recommend the Council uses the year end date as the valuation date in all valuations and ensures the appropriate BCIS figures are used in the Year end valuations.	Implemented The valuation date used is 31 March.
2	2	Records to support Investment property valuations We* recommend the Council reviews its working paper requirements used to support the year end property valuations. Including having shared folders for key evidence used for each asset type as the valuation is performed.	Implemented Obtaining evidence from the Council's new valuer was straightforward.
3	2	Canada Water We* recommend the Council performs a detailed annual review of this matter and clearly documents this in a paper each year.	Implemented A detailed paper was provided for the current year audit.
4	2	Review of Contingent Assets and Disposals We* recommend management review Contingent assets and ensure they are appropriately captured in the financial statements. We* note the capturing of this information will also ensure it is appropriately monitored and audited to ensure its accuracy.	Implemented No issues were noted in respect of contingent assets and disposals.

Control Deficiencies (cont.)

#	Risk	Issue, Impact and Recommendation	Current Status (January 2025)
5	2	Related Parties We* recommend the Council remind Members of their responsibilities to fully disclose their interests in the relevant declarations. In addition the Council should consider periodic checks on the declarations made.	Not Implemented See new recommendation #4.
6	2	Review of capital records We* recommend the Council reviews the year end capital procedures to ensure sufficient review of capital spend, disposals and the classification of assets takes place.	Implemented No issues were noted in respect of capital transactions.
Matters raised during the 31 March 2023 audit			
7, 9	1 2	Review procedures following valuation input into the fixed asset register (Priority 1) Variances between the Fixed Asset Register to the Statement of Accounts (Priority 2) We* recommend the Council ensures the Fixed asset register and general ledger maintain consistency, rather than manual journals being used to make corrections.	Implemented No issues were noted in respect of reconciling the fixed asset register and general ledger, or in reconciling to the accounts.
8	1	Review procedures following valuation input into the fixed asset register Management should ensure annually assets in all classes are reviewed formally for reclassification and the risk of impairment. We* note assets held as surplus assets and Assets Under construction require particular attention in relation to these reviews.	Implemented No issues were noted in respect of the classification of AUC balances.

Control deficiencies arising in the current year in relation to IT systems, and follow-ups to prior year IT general controls assessment findings will be raised as part of a separate report.

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

Ongoing impact of the revisions to ISA (UK) 240

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

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

Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

Our assessment of the risks of material misstatement due to fraud may be found on page 3. We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements*, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

Based on our assessment, we have no matters to report to Those Charged with Governance.

ISA (UK) 315 Revised: changes embedded in our practices

Summary

In the prior period, ISA (UK) 315 Revised “Identifying and assessing the risks of material misstatement” was introduced and incorporated significant changes from the previous version of the ISA.

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard’s scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity’s audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

KPMG's Audit quality framework

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

To ensure that every engagement lead and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework. Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

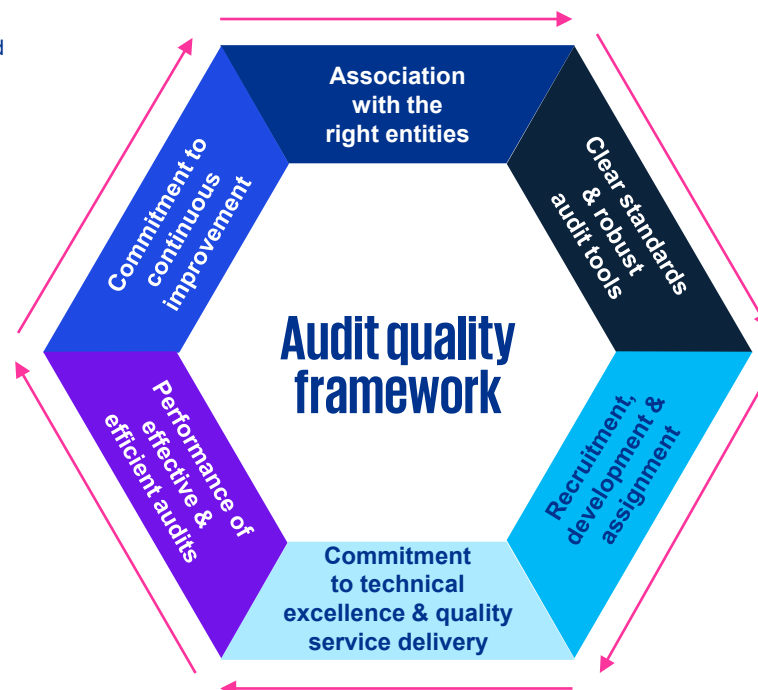
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



■ Association with the right entities

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members



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Auditor's Annual Report for Southwark Council

Year-ended 31 March 2024 – DISCUSSION DRAFT

20 January 2025

Contents

DRAFT FOR DISCUSSION PURPOSES ONLY



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This report is addressed to Southwark Council (the Council). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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01

Executive Summary

Executive Summary

Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of Southwark Council (the 'Council'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:



Accounts - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Council and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting ('the Code').



Narrative report - We assess whether the narrative report is consistent with our knowledge of the Council.



Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Council's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.



Other powers - We may exercise other powers we have under Local Audit and Accountability Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to valid objections received from electors.

DRAFT FOR DISCUSSION PURPOSES ONLY

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Accounts	We anticipate issuing an unqualified opinion on the Council accounts shortly after the approval of the financial statements in early February. This means that we believe the accounts give a true and fair view of the financial performance and position of the Council. We also anticipate issuing an unqualified opinion on the Pension Fund accounts on the same date. This means that we believe the accounts give a true and fair view of the financial performance and position of the Pension Fund. We have provided further details of the key risks we identified and our response on pages 8 to 11.
Narrative report	We did not identify any significant inconsistencies between the content of the narrative report and our knowledge of the Council.
Value for money	We are required to give an opinion as to whether the Council has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources. We identified three significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources which we are reporting as part of our opinion. Further details are set out on page 12 onwards.
Other powers	See overleaf.

Executive Summary

DRAFT FOR DISCUSSION PURPOSES ONLY

There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

We have not applied to the courts this year.

Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.

We have raised three other recommendations relating to significant weaknesses in arrangements to secure value for money. For further details see page 12 onwards.

Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Audit, Governance and Standards Committee. The Council is not required to take any action to these, however it is good practice to do so and we have included any responses that the Council has given us.

02

Audit of the financial statements

Audit of the financial statements

DRAFT FOR DISCUSSION PURPOSES ONLY

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

- Give a true and fair view of the financial position of the Council as at 31 March 2024 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of the Council in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

KPMG provides an independent opinion on whether the Pension Fund's financial statements:

- Give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of the Council in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Our audit opinion on the financial statements

We anticipate issuing an unqualified opinion on the Council's and Pension Fund's financial statements in early February.

The full audit reports are included in the Council's Financial Statements for 2023/24 which can be obtained from the Council's website.

Further information on our audits of the financial statements is set out overleaf.

Audit of the financial statements

DRAFT FOR DISCUSSION PURPOSES ONLY

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
Valuation of council dwellings Councils are required to revalue their land and buildings on a cyclical basis. There can be judgement involved in determining the value of land and buildings, which are typically a very large balance. This means that a small change in an assumption or judgement can have a significant impact on the valuation reached. For the Council, we have focused our risk on the value of council dwellings on account of the very large number and value of dwellings, and the valuation methodology applied. Dwellings are valued by grouping similar dwellings together, valuing one, and applying that value to all the dwellings in the group. Whilst this follows an established approach for local government bodies due to the size of the balance and the complexity in applying the valuation approach we consider there to be a significant risk of error.	- We assessed the independence, objectivity and expertise of Cluttons, the valuers used in developing the valuation of the Council's dwellings at 31 March 2024; - We inspected the instructions issued to the valuers for the valuation of dwellings to verify they were appropriate to produce a valuation consistent with the requirements of the CIPFA Code; - We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used; - We utilised our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology and assumptions utilised; and - We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.	We did not identify any material misstatements relating to this risk. We considered the estimate to be cautious, but materially acceptable, based on the procedures performed due to differences between the available market data for property transactions and the valuations reached for one of the properties we tested. Due to the nature of the valuation methodology for council dwellings, the difference in one property is extrapolated over several others, and we believe the impact of that extrapolation is immaterial. We raised a recommendation relating to ensuring full use of available market transactions when determining future valuations.

Audit of the financial statements

DRAFT FOR DISCUSSION PURPOSES ONLY

Significant financial statement audit risk	Procedures undertaken	Findings
Fraud risk related to expenditure recognition Auditing standards within the public sector require us to consider the potential for expenditure to be fraudulently recognised. This is on account of financial performance targets which exist in the public sector, and limited opportunities to manipulate revenue on account of its nature (e.g. there is less ability to manipulate taxation income as opposed to a retail sale). Councils have few financial performance targets as compared to other public sector entities. The main target is that councils cannot deplete their reserves. At the Council, the total general fund balance is large and the Council is not at imminent risk of depleting it. The housing revenue account (HRA) balance, however, is small in value and the Council is taking mitigating action to restore it to financial health. The pressures facing the HRA, alongside the presumption of a fraud risk arising, means we consider there to be a financial statement audit risk that expenditure within the HRA is inappropriately understated.	- We inspected a sample of invoices of HRA expenditure, in the period just after 31 March 2024, to determine whether expenditure had been recognised in the correct accounting period; and - We inspected journals posted as part of the year end close procedures affecting HRA expenditure that decreased the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value could be agreed to supporting evidence.	We did not identify any material misstatements relating to this risk.

Audit of the financial statements

DRAFT FOR DISCUSSION PURPOSES ONLY

Significant financial statement audit risk	Procedures undertaken	Findings
Management override of controls Auditing standards require us to identify a significant financial statement audit risk linked to fraudulent manipulation of the financial statements. This is because management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	- We assessed accounting estimates for bias by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicated a possible bias; - We evaluated the selection and application of accounting policies; - We assessed the business rationale and the appropriateness of the accounting for significant transactions that were outside the Council's normal course of business, or were otherwise unusual; and - We tested accounting entries posted into the ledger which meet a heightened risk profile, such as journals which reduced the amount of housing revenue account (HRA) expenditure posted during the final financial close down process.	We did not identify any material misstatements relating to this risk. We raised a recommendation relating to improving the strength of controls over the Council's IT systems to reduce the number of users with a high level of privileged access to the systems.
Valuation of post retirement benefit obligations The Council is a member of the Southwark Pension Fund, a Local Government Pension Scheme. Accounting standards require that the value of the liabilities to be paid to current and future pensioners. The valuation of these liabilities is subject to complex actuarial judgements and assumptions. This means that a small change in an assumption or judgement can have a significant impact on the valuation reached.	- We evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations; - We evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability; - We challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data; - We confirmed that the accounting treatment and entries applied by the Council are in line with IFRS and the CIPFA Code of Practice; and - We considered the adequacy of the Council's disclosures in respect of the sensitivity of the nil balance to these assumptions.	We did not identify any material misstatements relating to this risk. We considered the estimate to be balanced based on the procedures performed.

Audit of the financial statements

DRAFT FOR DISCUSSION PURPOSES ONLY

The table below summarises the key financial statement audit risks that we identified to our audit opinion for the Pension Fund as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
Management override of controls Auditing standards require us to identify a significant financial statement audit risk linked to fraudulent manipulation of the financial statements. This is because management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	- We assessed accounting estimates for bias by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicated a possible bias; - We evaluated the selection and application of accounting policies; - We assessed the business rationale and the appropriateness of the accounting for significant transactions that were outside the Pension Fund's normal course of business, or were otherwise unusual; and - We tested accounting entries posted into the ledger which meet a heightened risk profile.	- We did not identify any material misstatements relating to this risk. We have reviewed the accounting records and did not identify any significant unusual transactions. We did not identify any areas of bias in key judgements made by management. - We performed the screening of journals listing and did not identify any high-risk criteria. Our screening procedures identified journal entries and our examination of these did not identify unauthorised, unsupported or inappropriate entries. - We raised a recommendation relating to improving the strength of controls over the Council's IT systems to reduce the number of users with a high level of privileged access to the systems. - Our work in this area is substantially complete.
Value of directly held investment property The pension fund invests in a variety of assets to generate the funds required to meet obligations to pensioners. One type of asset is investment property, where the fund both benefits from cash generated from rental income, and also from capital appreciation when the properties are sold. Pension funds are required to re-value investment property each year, so the net assets of the fund accurately reflects the value that can be realised for members. The value is large and is dependent on various subjective assumptions. This means that a small change in an assumption or judgement can have a significant impact on the valuation reached.	- We assessed the independence, objectivity and expertise of Knight Frank, the valuers used in developing the valuation of the fund's investment properties at 31 March 2024; - We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used; and - We utilised our own valuation specialists to review the valuation report prepared by the fund's valuers to confirm the appropriateness of the methodology and assumptions utilised.	- We evaluated the competency, capability and objectivity of management specialist, Knight Frank and noted no issues. - We involved KPMG property valuation specialists to evaluate the assumptions underlying the properties' valuations for a selection of the directly held property portfolio, holding direct discussion with Knight Frank in respect of the underlying assumptions used for the valuation. The KPMG Real Estate team concluded that the valuations is balanced. - We obtained the property valuation produced by the independent valuer as at 31 March 2024 directly from Nuveen, fund manager. We noted the proposed valuation recorded by management was understated by £1.39m. - Whilst the fund manager appoints a third party (Knight Frank) to value the property, we did not identify an associated management review or other control that that meets the requirements of the auditing standard.

03

Value for Money

Value for Money

Introduction

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:



Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance: How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

DRAFT FOR DISCUSSION PURPOSES ONLY

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	15 – 22	23 – 33	34 – 35
Identified risks of significant weakness?	✓ Yes	✓ Yes	✗ No
Actual significant weakness identified?	✓ Yes	✓ Yes	✓ Yes
2022-23 Findings	Significant weakness identified	Significant weakness identified	No significant weakness identified
Risk profile - direction of travel	↔	↔	↑

Value for Money

DRAFT FOR DISCUSSION PURPOSES ONLY

National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable. Some Councils have initiated innovative plans to raise new funds, such as through increasing commercial activity. Some have questioned whether commercialisation activities open Councils to excessive risk or could be a poor use of taxpayer monies.

Some Councils have issued what are known as “section 114” notices, in this instance a declaration that they cannot generate sufficient resources to meet the costs they need to incur. In some instances, this has resulted in a need for exceptional financial support from central government (such as approval to sell council buildings to meet costs) and severe cutbacks to services.

Education

Many schools are now the responsibility of academy trusts, however some schools are still controlled and overseen by the local Council. Dedicated funding is provided by central government to run schools, however due to cost pressures many Councils have overspent against their central government allocation, particularly in relation to “high needs” expenditure (i.e. to support students with special educational needs and disability (SEND)). In response to this, the Department for Education has created the “safety valve” arrangement, where Councils are given additional funding whilst education costs are brought under control, with an expectation that schools reserves are brought back to break-even over time. When the safety valve arrangements end, some Councils are concerned that structural sustainability issues will not be resolved, and Councils will be financially unviable.

Housing Revenue Account (HRA)

Councils which operate a HRA are required by law to prevent the account running into deficit, and must operate it independently of the main operations of the Council. HRAs have experienced financial pressure over the past few years on account of high inflation rates increasing the cost of operating housing, whilst central government cap rent increases at or below the rate of inflation.

Following tragic deaths in housing estates in Kensington and Rochdale, there has been increased focus on the safety of social homes. Landlords are required to take remedial action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety more generally. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made.

Local context

Southwark is a London Borough covering a diverse inner-London region, covering busy business districts such as London Bridge, through to quieter residential neighbourhoods such as Dulwich and Peckham.

The Council is one of the largest social landlords in the country, and construction of new social homes is a long-standing political priority. Whilst housebuilding has been curtailed by difficulties in obtaining affordable financing (mainly due to increased interest rates on borrowing from central government), the Council has ambitions to build more homes in the future.

The Council’s housing revenue account (HRA) is under substantial financial pressure caused by inflation, interest rates, costs to improve the safety of homes, and below-inflation rent caps imposed by the previous government. The Council is taking action to improve the financial sustainability of its housing.

The Council’s non-housing activities however, whilst facing pressures (not least in relation to schools), are not experiencing the same level of financial pressure as housing.

As of March 2024, the Council has few outsourced public facing services, the main being a waste arrangement under a Public Finance Initiative (PFI) contract with Veolia. During 2023/24, the Council transferred leisure services in-house, although this was a decision that was made in a previous financial year.

Financial Sustainability

DRAFT FOR DISCUSSION PURPOSES ONLY

How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

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

Budget setting and financial outturn

For 2023/24, the Council set a net (i.e. costs less fees, charges, and service-specific grants) general fund budget of £316m, which it achieved through use of contingency funds to the tune of £1.4m, or 0.4% of the net general fund budget. The net budget is then funded through taxation and central Government grants. Considering the size and complexity of the Council, this demonstrates a strong financial outturn and a rigorously set budget for the year.

A key change in how the Council sets its budget during 2024/25 was the introduction of a Medium Term Financial Strategy (MTFS). A MTFS shows a precise budget for the coming year, and then an indicative budget over future periods, in the Council's case for a further two years. Introduction of a MTFS brings the Council in line with its peers.

The Council's MTFS for 2024-25 through to 2026-27 includes an unidentified savings requirement of £55m by March 2027. The Council does not fully identify savings until the annual budget setting process, but identification of the figure helps the Council to anticipate what savings may be required in the future.

The identification of the £55m requirement does not indicate that those savings would actually need to be made, because there may be changes to economic conditions (such as lower inflation than forecast) or new government grants closer to the time of setting the annual budget.

Savings plans

Like all organisations, the Council is required to identify savings so it can set a balanced budget. As part of the budget setting process, the Council categorises savings plans into:

- Efficiencies, where officers do not believe there will be an impact in the quality of service delivery,
- Income generation plans, where income can be generated either through charging for a service which was previously free or increasing a charge, or
- Cost reduction plans which impact on the services provided to residents.

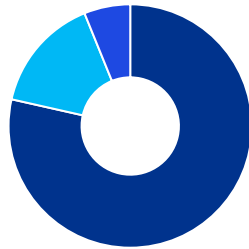
Whilst income generation and cost reduction plans can be unpopular, the way in which the Council separates each type of savings and reports on them separately to Cabinet, Overview & Scrutiny, and Council Assembly as part of the budget setting process helps to ensure clear democratic oversight of budget setting proposals.

Financial Sustainability

The Council's savings plans in effect for 2023/24 and budgeted for 2024/25 (set as part of the February 2024 Council Assembly meeting) are set out below, and demonstrate that the Council's savings plans are focused predominantly on efficiency programmes as opposed to income generation or cost reduction.

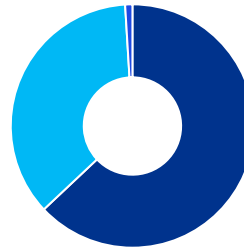
2023/24

- Efficiency
- Income generation
- Cost reduction



2024/25

- Efficiency
- Income generation
- Cost reduction



For efficiency programmes to generate the required savings, the Council needs to ensure that it monitors the performance of those efficiency programmes. 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 Council's financial strength and effective outturn against budget, we do not believe this has a significant impact on the Council, but it may be an area where processes could be enhanced.

Capital programmes

Councils undertake capital investment to improve the facilities it makes available to the public, for instance to improve schools or leisure facilities. The Council has a rolling 10 year capital investment programme, which we saw was closely aligned with investments the Council has set out in the "Council Delivery Plan" (since replaced by Southwark 2030). Example investments include:

- Regeneration work in Canada Water, Peckham, and Old Kent Road;
- New parks at Canada Water, Old Kent Road, and Elephant; and
- Reductions in carbon emissions, including a net zero by 2030 commitment.

The Council's capital budget monitoring processes show that the Council is behind on capital investment, although aims to be on track by the end of the ten year plan.

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Key financial and performance metrics:	2023-24 £'000s	2022-23 £'000s
General Fund Reserves	22,443	22,443
HRA Reserves	16,921	19,458
Usable reserves	434,364	375,969
Gross debt compared to the capital financing requirement	0.63 : 1	0.66 : 1
Year-end borrowings	1,096,438	997,959
Year-end cash position	34,530	104,663

HRA: Housing Revenue Account, a ring-fenced fund relating to social housing

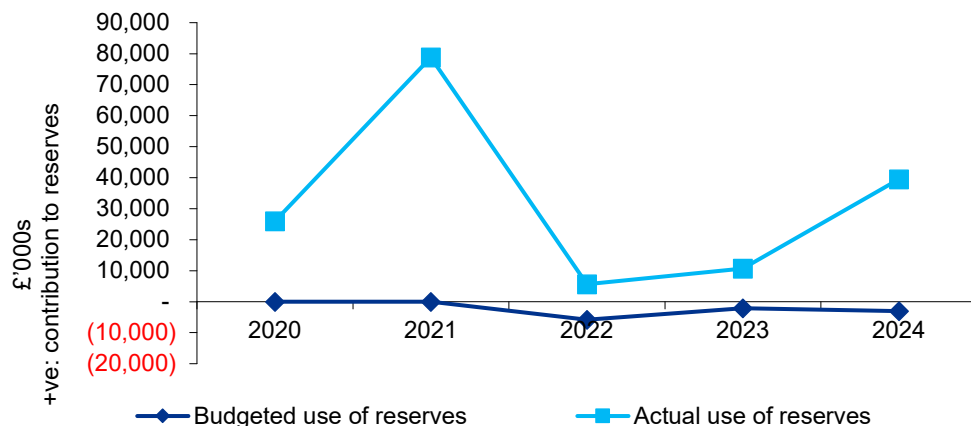
Gross debt compared to the capital financing requirement: Authorities are expected to have less debt than the capital financing requirement (i.e. a ratio of under 1 : 1) except in the short term, else borrowing levels may not be considered prudent.

Financial Sustainability

Reserves

Councils are required by law to not deplete their reserves. The principle reserve for a Council is the general fund, which is used to meet day to day expenditure. The Council has an ample general fund balance, and the Council was able to contribute £32m to earmarked general funds during 2023/24, of which £17m relates to funds set aside for a future replacement of the Council's finance IT system.

The Council's financial plans dating back to 2020 anticipate no or negligible use of reserves, although in practice the Council has been able to set aside funds in reserves each year. This demonstrates that the Council's approach to budgeting is cautious but prudent. Below we have set out budgeted use of reserves per the budget book vs the actual use of reserves per the audited financial statements.



As the Council sets aside so much in reserves, it could be bolder in the offer it makes to residents, however setting aside funds for known financial commitments and for contingency helps to ensure the Council remains financially sustainable.

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Housing Revenue Account

Over the past few years, the Council has experienced financial pressure within the Housing Revenue Account (HRA), a ring-fenced fund for income and expenditure relating to the provision of social housing. Like with the general fund, there is a legal requirement to ensure the HRA reserve is not depleted. At 31 March 2024, the HRA reserve sits at £17m which is considered small for a Council of this size, and has been on a downwards trend over several years. It reduced by £2.5m in 2023-24 and £6.7m in 2022-23.

Like all landlords, the Council has been exposed to the impact of inflation, below-inflation rent increase caps, and the costs of improving building safety after the tragedy of the Grenfell Tower fire. As a landlord developing new homes, the Council is also exposed to high interest rates as debt is taken out to fund the construction of new homes.

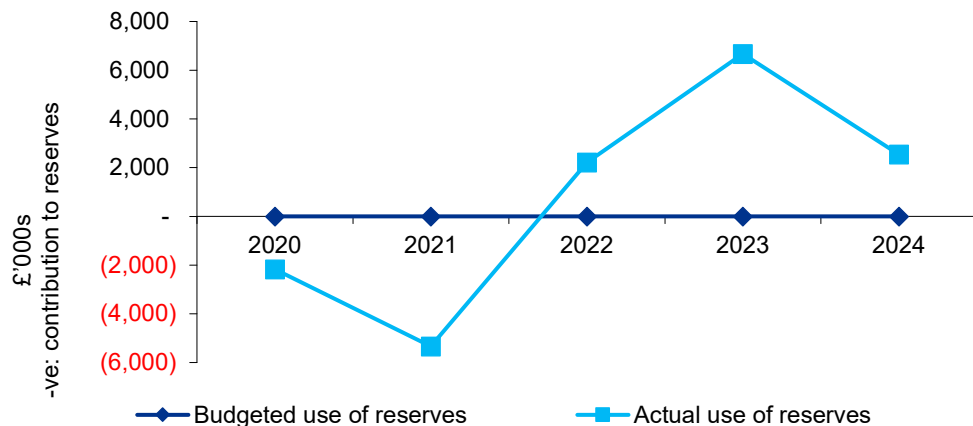
As Councils are expected to generate surpluses to fund capital investment, the reduction in HRA balances means that the Council has now started to borrow to fund capital investment. This generates further interest charges and compounds the financial sustainability issues in the HRA.

However, the Council is also required to ensure homes are maintained to a proper standard and therefore, whilst far from ideal, borrowing to invest in homes is a reasonable balance between ensuring financial sustainability against meeting statutory and moral obligations as a landlord.

Later in this report we have considered, in further detail, the Council's arrangements to manage HRA funds in a prudent manner.

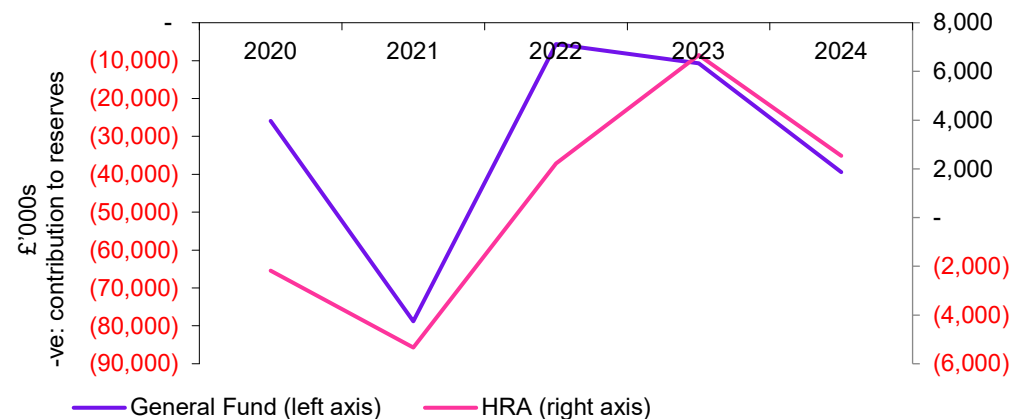
Financial Sustainability

The trend in HRA balances over time is set out below. This shows that the rate at which HRA reserves was depleted in 2023/24 has fallen, however the Council is not yet in a position where it is rebuilding financial sustainability with the HRA.



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Below we have analysed trends in general fund use of reserves against HRA use of reserves. This shows a very similar trend in the use of reserves for both funds. Our interpretation is that the Council has effectively taken action to cut costs to a similar degree across both funds, considering both have been subject to similar inflationary cost drivers.



However, the Council needs to take urgent action to place the HRA on a stronger financial footing. Whilst the Council has started a "HRA Recovery Plan" to rebuild reserves and repay borrowing, the level of reserves left within the HRA opens the Council to significant risk of the depletion of the HRA. It is unlawful for Council's to record negative HRA reserves which increases both the pressure on the Council and the risk to financial sustainability of the HRA.

In addition, the poor financial health of the HRA prevents the Council from effectively investing to improve the quality of services provided to tenants. Furthermore, the use of non-recurrent measures to restore the HRA to financial health risks making the underlying position worse. We have therefore identified a significant value for money risk as set out overleaf.

Significant Value for Money Risk



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The risk

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 obtained and read the HRA Recovery Plan. Assessed whether the HRA Recovery Plan was subject to appropriate review, challenge, and approval prior to coming into force.

The Council's Director of Corporate Finance (the 'Director') has responsibility for the Plan. The plan was developed as a management tool in response to the significant financial challenge and the risk this posted to the Council in terms of financial failure of the HRA on account of the low level of financial reserves.

The Plan has two phases, firstly to restore the HRA budget to health, and then to rebuild reserves and repay borrowing over time. In the initial phase of the plan, up to 2025/26, the Plan sets out:

- For revenue budgets, a maximum cash limit (calculated as a 5% reduction in variable costs, allowing for the impact of inflation) that would be permissible for budget holders to incur. The purpose of the cash limit was to reign in costs and reduce the level of financial overspend over time. This implied a c. £20m reduction in costs in 2024/25 (the first full year of the Plan).
- For capital budgets, to identify the amount of required capital investment and a means to fund it, either through contributions from revenue budgets, capital receipts (such as the disposal of surplus assets such as un-lettable homes), or borrowing.

To give an illustrative example, the recovery plan anticipated savings of £19m in 24/25 and borrowing of £43m, although some of that borrowing would have been undertaken regardless (for example for new build schemes). The final position agreed as part of budget setting may have differed although the expectation was that it would have sat within this envelope.

We understand from our enquiries that the Council needed to borrow to fund the asset management programme, i.e. property refurbishments and major works. This results in increased interest expenditure in future periods, and therefore the plan was designed to generate sufficient surpluses with which to pay down borrowing and build up reserves.

It is also our understanding that the Council would ordinarily only borrow to construct new homes, as a cashflow would then be generated to meet the interest expense and to pay down debt. However, owing to current rent levels verses interest rates on Public Works Loan Board debt the Council would lose money on every new home built, and therefore the plan significantly curtails the construction of new homes until such a time that it would be affordable to do so.

Governance arrangements

We understand that the Plan does not constitute a formal budget, but instead was a decision making tool used both for immediately controlling costs in 2023/24, and then informing the budget setting process in future periods.

Significant Value for Money Risk

Therefore, for 2023/24 the Plan was not formally approved by any Council committee, however a presentation summarising the purpose and nature of the plan was given to the Leader of the Council and Cabinet Member for Finance prior to implementing the immediate cost control measures in 2023/24.

As the Plan is not a formal budget it can be readily updated to reflect emerging matters, such as variances to budget and changes to economic conditions. The Plan is a formula-driven spreadsheet, with automatically updating totals and validation checks to identify where a change to an input results in targets being missed.

For instance, if there was an overspend on the revenue budget, this would reduce the amount of funding available to repay future borrowing, which causes the Plan to automatically update the interest expense impact on future years of the Plan.

During 2023/24, the implementation of the Plan was overseen by the Housing Investment Board, prior to oversight by a Budget Recovery Board in the first year of the Plan post year-end. The outcome of the immediate budgetary control measures in 2023/24 would also be monitored through the existing budgetary control regime at the Council, including through reporting of the HRA position through to Cabinet.

Overall, we consider the governance arrangements to be reasonable considering the emergency nature of the Plan in 2023/24, and consider it appropriate for the Plan to underpin the budget setting of the HRA in 2024/25, which took place in February 2024.

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We assessed whether the impact of the HRA overspend during 2023/24 had been appropriately factored into the HRA Recovery Plan and we evaluated the factors causing the HRA overspend during 2023/24, and assessed whether there was appropriate arrangements to monitor and control spending during the year.

We asked the Council about the driving factors behind the £16m HRA overspend in 2023/24, which was triggered by the existing cost pressures inherent to the HRA. The Council introduced the Plan part way through 2023/24 partially in response to those cost pressures, meaning the Plan both inherently incorporates the existing overspend, and was a means to prevent it becoming bigger than it ended up being.

We consider this to be an appropriate action.

We ensured the HRA Recovery Plan was plausible in reference to forecast inflation rates; new building safety regulations; and capital expenditure required in respect of stock condition and known capital commitments (e.g., for new homes).

The Plan is dependent on certain assumptions being a reasonable reflection of the costs the HRA will face in the future. There are two critical assumptions, in our view: inflation, and works required under the asset management programme.

Inflation

The Council has assumed various rates of inflation for each year of the Plan. In the longer term, the Plan assumes inflation just above the Bank of England CPI inflation target, which we consider to be prudent considering the UK inflation rate historically tracking above the Bank of England target. For the 2024/25 budget, inflation is based on the September 2023 CPI in line with the statutory arrangements for determining rent increases, which we consider to be reasonable.

The Council demonstrated to us that it had considered the Council's costs compared with peer London Boroughs as context when designing the Plan. The benchmarking exercise we saw, based on published 31/03/2022 accounts, demonstrated that the Council's cost per dwelling are approximately average, however costs are a high percentage of rent. A driver for this was that the Council had the second lowest average rent of all inner London authorities.

Significant Value for Money Risk



DRAFT FOR DISCUSSION PURPOSES ONLY

Asset management programme

The costs in the Plan for asset management are based on the Council's own knowledge of required works, the wider HRA capital programme, and the benchmarking exercise noted above. The benchmarking identified that the Council's cost of capital (i.e. cost of asset management) and cost of stock (cost of capital plus repairs expenditure) is high as a percentage of rent but was average on a per-dwelling basis.

In [November 2024](#), the Regulator of Social Housing (RSH) announced the outcome of a planned inspection into the Council's arrangements for compliance with the Consumer Standard, a regulation set out by the RSH. The RSH are currently performing inspections at a variety of councils following the introduction of that Standard.

The RSH, amongst other matters discussed in this report, said "we identified Southwark Council does not have up to date stock condition information for most of its homes. Southwark Council's last stock condition survey was undertaken in 2010 on a representative sample of 10% general needs, and 20% street properties." and "Furthermore, Southwark Council reported to us that around 30% of its homes do not meet the requirements of the DHS [Decent Homes Standard]. The Decent Homes Standard is a Government expectation as to the minimum acceptable quality of a social home.

The Council needs to have a clear view of the works required to ensure its properties are maintained to an acceptable standard, including through compliance with the Decent Homes Standard. This underpins the required capital investment to include in both the Plan and the HRA Capital Programme.

As the RSH findings have noted that the stock condition survey is approximately 14 years old at time of writing, which is consistent with findings in previous Auditor's Annual Reports, we believe there to be a risk that the Asset Management costings in the Plan may not be realistic or achievable.

The Council told us that it has budgeted to borrow approximately £0.5 billion to meet the cost of both new build schemes and asset management programmes over several years. The Council told us that, as the new build schemes are uncommitted, the borrowing earmarked for those schemes can be re-prioritised for asset management should those costs be greater than anticipated. Clearly the Council will be unable to do this should it discover the true value of asset management costs required after any new build contracts are signed so must manage this carefully.

Our conclusion

Based on our findings, we have determined that there is a significant weakness in arrangements to ensure financial sustainability on account of the dependency on non-recurrent measures (including borrowing), coupled with the uncertainty driven by a lack of clear picture of the condition of housing stock and the consequential maintenance liability. Whilst there is a long-term plan to bring HRA reserves into financial health, shorter-term plans remain dependent on these nonrecurrent measures.

Significant Value for Money Risk: Recommendations

DRAFT FOR DISCUSSION PURPOSES ONLY

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	The Council has developed a HRA Recovery Plan as a mechanism to bring the HRA back into financial health. We have established that the Plan is dependent on non-recurrent measures in the short term, in particular through borrowing. Whilst the Council is aiming to reduce costs to build recurrent savings into the HRA there is a risk that, should these savings not materialise, the Council will need to take further non-recurrent action. Furthermore, the Regulator of Social Housing (RSH) has identified that the Council does not have an up-to-date stock condition survey for its housing, meaning that the Council does not have a clear picture of the maintenance obligation it has to ensure its housing is in a good state of repair. The RSH also noted that a substantial portion of the Council's housing does not meet the Decent Homes Standard, a regulatory requirement for social housing. Rectifying any maintenance backlog, and ensuring homes meet the Decent Homes Standard is a substantial financial burden for the Council, and is a cost pressure which will impact the HRA recovery plan, particularly as there is a short-term need to borrow to fund asset management costs. We recommend that the Council clearly reports through its governance structure whether the required recurrent savings in the HRA recovery plan are being achieved, and whether the progress required to bring the HRA into financial health is being achieved. This reporting should also clearly show the impact and financial mitigation of any works required once a stock condition survey is completed.	

Significant Value for Money Risk: Recommendations

DRAFT FOR DISCUSSION PURPOSES ONLY

Below we have set out our findings from following up recommendations raised in respect of significant weaknesses identified in prior periods:

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of January 2025
1	We recommend that the Council introduce arrangements to refresh its Asset Management Strategy at least every 3-5 years. This would be supported by an annual review process which assesses delivery against the programme and carries out re-profiling and forecasting of costs.	Refer to the Annual Auditor's Report in relation to the 2021-22 financial year.	As noted within our commentary, the Council has started to refresh its understanding of capital costs and has set out an approach to funding the capital expenditure, including profiling, within the HRA Recovery Plan. This Plan then underpins the Council's HRA revenue and capital budgets. It is clear that the Council has taken positive steps to implement these recommendations.
2	We recommend that the Council carries out a refresh of the costings for all housing capital expenditure (including the QHIP programme) and establishes how the resulting re-profiled programme might be funded. We noted that the Council had started the process to address this (e.g. by commissioning a new stock condition survey from Savills). We note that Officers are communicating with members accordingly.		The RSH has identified that the Council still does not have an up-to-date picture of stock condition and continues to rely on data from 2010. This means the costings and profiling in the Plan may not be accurate and reflect the true nature of works required. Therefore, elements of these recommendations remain outstanding. We have raised a new recommendation on the previous page to focus on the primary outstanding matters. We acknowledge that, as per the RSH' findings, the Council has taken action to commission a stock condition survey during 2024-25.
3	We recommend that the Council, as an immediate priority and a matter of urgency, uploads the recently collected data on stock condition into its new database.		
4	We recommend that the Council addresses the issue of how it will fund the commitment it has to all its tenants to meet the decent homes standard. We note that the Council has started the process to address this and is communicating with members accordingly.		

Governance

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

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or members' behaviour.

Risk management

The Council has a risk management procedure, which is in line with what we would typically see across the public sector. A key feature of the procedure is that risks are reported on an annual basis to the Audit, Governance, and Standards Committee. This ensures democratic oversight of the risks faced by the Council and an opportunity for members to compare risks against the assurances they receive through other sources.

The Council's key risks as at January 2024 included:

- Impact of cost of living on service demand,
- Pressures on the Housing Revenue Account budget,
- Pressures on school budgets,
- Building safety following the introduction of new legislation,
- Impact of declaring a climate emergency on service demand, and
- Staff recruitment and retention.

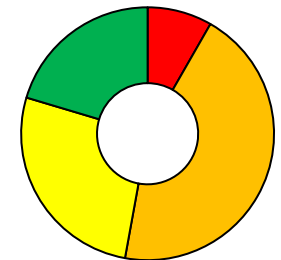
The risks, as presented to the Committee, indicated the key actions being taken by the Council to mitigate the risk and trends in risk scores over time. We also note that the register includes key areas of pressure we know the Council to be facing, including those linked to significant Value for Money risks within this report.

As at January 2024, the Strategic Director of Finance's report noted that the Council was exposed to significant economic uncertainty, including but not limited to uncertainty as to when the general election was going to be called. However, the proportion of risk graded red (highest impact and likelihood) had fallen

We understand the Council's approach is to maintain departmental risk registers which are collated within the central risk IT system, and used to prepare this annual report. The January 2024 report said that quarterly review by the Corporate Management Team is due to start soon although had not started by March 2024. We would consider introduction of such a review to be good practice. We would also consider it good practice for risk reports to be regularly presented to Cabinet.

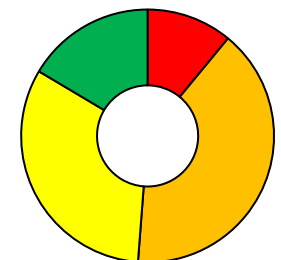
DRAFT FOR DISCUSSION PURPOSES ONLY

January 2024



■ Red risk
■ Amber risk
■ Yellow risk
■ Green risk

January 2023



■ Red risk
■ Amber risk
■ Yellow risk
■ Green risk

Governance



DRAFT FOR DISCUSSION PURPOSES ONLY

Governance structures

The Council has a structure where the Cabinet make the key strategic decisions which are then implemented by officers, with Overview & Scrutiny Committee being used to hold the cabinet to account. This is a typical approach for structuring London Boroughs.

In February 2024 the Council received the outcome of a peer review arranged by the Local Government Association, which was performed in October 2023. The peer review assesses how the Council is run and if there are improvements to be made in how the Council operates.

The peer review summarised that the Council was a “good council” and was working to embed change following a new Chief Executive and Chief Financial Officer in recent years. The review contained 11 recommendations for the Council to implement, which included:

- Establishment of a robust corporate centre to direct the Council;
- Streamline informal governance structures, including support for members and interactions between the Cabinet and Corporate Management Team;
- Improve use of technology and agree a digital strategy; and
- Use the new Southwark 2030 strategy to direct how the Council wishes to change.

The outcome of the peer review was accepted by the Council and an action plan agreed and presented to the Audit, Governance and Standards Committee in [February 2024](#). The action plan notes that full delivery of the action plan was to be implemented by April 2024 onwards. The action plan also contains accountable officers and due dates, which helps to hold individuals to account for implementing their actions.

Historically the Council’s departments have been “fairly autonomous” according to the LGA, which is consistent with the feedback of others we have spoken to. The Council is thinking, following LGA feedback, whether greater control and input from the corporate centre will help the Council to achieve its ambitious priorities, for instance through identifying ways to bring teams together to work on common objectives.

Some of the other findings in the peer review align with findings elsewhere within this report, for instance in terms of financial sustainability of the HRA.

Overall, it is good to see the Council responding positively to the LGA’s recommendations and to have developed a detailed action plan to ensure the items raised are implemented.

	2023-24	2022-23
Governance issues reported in the Annual Governance Statement	2 issues identified	9 issues identified
Head of Internal Audit Opinion	Moderate assurance	Moderate assurance
Ofsted rating	No inspection of services in year	Good
Local Government Ombudsman findings	27 upheld complaints	35 upheld complaints
Housing Ombudsman findings	28 cases of maladministration or severe maladministration	20 cases of maladministration or severe maladministration
Care Quality Commission rating	Good (Orient St Adult Respite Unit)	Good (Orient St Adult Respite Unit)

Governance

Decision making

Councils are required to make decisions in an informed and robust manner. The Council's Cabinet makes key strategic decisions, and those decisions are placed on the Forward Plan to allow for public comment for a minimum of 28 days.

The decisions which require consideration by the Cabinet are set out in the Constitution, and the threshold is sufficiently low to ensure most decisions are subject to Cabinet oversight. For decisions below that threshold, and are therefore made by officers, there is also the opportunity for the Overview and Scrutiny Committee to call in decisions.

The Council's strategy is to bring services in-house where it can. During 2023/24, the Council in-sourced leisure services previously provided by Everyone Active (a private provider of leisure services) although the decision to in-source was made in a previous period.

During 2023/24, the Council became aware that a care home in the borough was to be sold by its owner, leading to Council concern that there would be a loss of care home provision in its area. The Council decided to acquire the care home and became a care home operator, which was subject to review and approval by the Cabinet.

As part of that approval, the Cabinet saw evidence to support the value proposed for payment by the Council, as well all advice supporting the transaction, and a longer-term plan to identify a partner to provide the care activities at that home.

The Cabinet also approved the closure of various schools during the year. Like other inner-London boroughs, the Council has seen a reduction in the number of school age children as families are priced out of the area and families moved out of London following the pandemic. This results in surplus school places.

Decisions to approve school closures appropriately considered the Council's legal obligations to identify alternatives and consider compliance with the public sector equality duty, as well as impacts on health, legal, resources, finances, and climate change. Whilst the decisions may be politically unpopular, the Council's arrangements allowed for informed decision making and democratic oversight of the proposals.

DRAFT FOR DISCUSSION PURPOSES ONLY

Tenant Management Organisations (TMOs)

During 2023/24, the Council's internal auditors, BDO, issued a highly critical internal audit report in relation to the Council's arrangements for managing TMOs. This was issued as part of an investigation into an objection into a previous year's set of accounts. A TMO is an organisation set up to allow leaseholder involvement in the management of their estate, with the TMO procuring maintenance works on the Council's behalf.

The internal audit report identified that the Council had weaknesses in the Council's arrangements for overseeing TMOs and ensuring that they operated in line with the management agreements entered into between the TMO and the Council.

On account of the potential for these weaknesses to be pervasive across all of the Council's TMOs, we identified a significant value for money risk, as set out overleaf.

Major works

We became aware through, papers submitted to the Overview and Scrutiny Committee, through correspondence from the public, and through media reviews of issues at renovation works at two of the Council's housing estates – Devon Mansions and Canada Estate.

The allegations related to the Council not effectively exercising oversight of its contracts with construction firms working on those renovations, with allegations of works being performed to a poor standard, delays, and unexplained cost overruns.

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 identified a significant value for money risk, as set out on page 30.

Significant Value for Money Risk



DRAFT FOR DISCUSSION PURPOSES ONLY

The risk

The 2022/23 Auditor's Annual Report makes reference to significant weaknesses in arrangements in relation to governance over the Fair Community Housing Services Tenant Management Organisation (TMO).

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 to step in and direct the TMO if underperforming.

An internal audit review was issued during the financial year in relation to that significant weakness. 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 Services 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

Assessed whether the Council had appropriate governance arrangements in place to monitor the effectiveness of TMOs during 2023/24.

Underpinning the review of TMOs is a Modern Management Agreement (MMA) between the Council and each TMO. The Council told us that there are currently no in-date MMAs however 'it is our understanding that the Council uses the most recent as a basis for monitoring.

The Council provided us with various "annual reviews" for several TMOs, which were the fourth quarter of a quarterly review of KPIs which included rent collection, arrears, income and expenditure, voids (properties which are empty), quality of the repairs service, complaints, and key finance and governance issues such as annual accounts and the annual general meeting.

We were also provided with notes from the monitoring meetings of some TMOs. These monitoring

meetings covered the same matters included in the KPI reports, with details of discussions and actions required (with evidence of how actions were resolved).

None of the monitoring reports we were given, however, covered TMO compliance with other areas of the MMA, meaning the monitoring arrangements are insufficient in ensuring the TMOs comply with their contractual obligations.

Of particular note, the MMA sets out arrangements for cyclical redecorations and other major works, including that (depending on the arrangement for major works that the TMO elects to follow) the Council must be involved in the delivery of major works and a major works funds needs to be created and ring-fenced.

There was no evidence from the monitoring reports we were provided with that the Council is monitoring how TMOs comply with their contractual obligations in respect of major works or with MMA obligations more widely.

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.

Internal Audit reviewed a variety of TMOs over the course of 2023/24 on a cyclical basis and presented their reports to the Council's Audit, Governance and Standards Committee. The three TMOs subject to Internal Audit review during 2023/24 were Browning, Haddonhall, and Kennington Park.

These reviews found generally weak arrangements in place at the TMOs. For instance, at one TMO there was no authorisation for some invoices/works orders and procurement arrangements not being implemented in line with MMAs.

The nature of the issues identified by Internal Audit suggest that basic controls and procedures may not be in place more widely at TMOs, meaning there is a risk that TMOs generally are not in compliance with MMAs. As the Council's monitoring arrangements also are not aligned with MMAs (see left) there is a risk that the issues identified Fair Community Housing Services could either exist or reoccur at other TMOs, and not be picked up on a timely basis.

Significant Value for Money Risk



DRAFT FOR DISCUSSION PURPOSES ONLY

Assessed whether the Council has developed a reasonable action plan in response to the Internal Audit review in relation to Fair Community Housing.

In January 2024 Internal Audit issued a report into the arrangements at Fair Community Housing Services (FCHS) following an objection raised into a previous set of accounts. The report contained 18 recommendations, of which 4 were graded high risk. In the report, the Council has committed to a set of actions to implement each of Internal Audit's recommendations.

We have not been provided with a tracker or any evidence of governance arrangements in place to ensure the successful implementation of those actions, but have seen evidence of some actions having been implemented post year-end, such as the forensic investigation into FCHS' activities and notification to TMOs of their responsibilities in respect of major works.

Several of the recommendations related to strengthening the quarterly review arrangements to ensure that all the requirements under the MMA were met. As we set out on the previous page, we are not satisfied that the arrangements as at Q4 were sufficient, although with the report having been published in January 2024 it would not be reasonable to expect substantial improvements by the end of March.

Other matters which came to our attention

In [November 2024](#), the Regulator of Social Housing (RSH) announced the outcome of a planned inspection into the Council's arrangements for compliance with the Consumer Standard, a regulation set out by the RSH. The RSH are currently performing inspections at a variety of councils following the introduction of that Standard.

The RSH, amongst other matters discussed in this report, said "The inspection found weaknesses in Southwark Council's approach to supporting tenants to exercise housing management functions through Tenant Management Organisations (TMOs). This has contributed to breaches in the management agreements for three TMOs, resulting in poor outcomes for tenants." The RSH did acknowledge that the Council is taking action to improve arrangements.

The RSH's findings indicate that the issues identified with Fair Community Housing TMO were more widespread, which was consistent with the understanding we had gained from internal audit reports published during the period. This shows there was a systematic weakness with the arrangements for overseeing TMOs over the course of the financial year.

Our conclusion

Based on our findings, we have determined that there is a significant weakness in arrangements to ensure good governance, on account of the pervasive nature of weaknesses in the management of TMOs and the in-progress nature of the Council's action plan to respond to the findings raised in respect of the Fair Community Housing Services TMO.

Significant Value for Money Risk: Recommendations

DRAFT FOR DISCUSSION PURPOSES ONLY

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date
2	We identified that the Council has no robust or structured process for how TMOs are monitored. We found arrangements to be informal, with review meetings (where performed) not aligned with the requirements set out in management agreements. The Regulator of Social Housing (RSH) has identified that the Council's arrangements for managing tenant management organisations (TMOs) more widely is insufficient and raised this as a matter of concern within their regulatory judgement published in December 2024. This indicates that the Council has not implemented sufficient measures to improve controls over TMOs following the findings raised in previous years' audits. Aside from matters raised in previous periods, if the Council does not improve its arrangements in relation to TMOs, there is now an increased risk of regulatory action being taken against the Council. We recommend that the Council develops a formal monitoring and oversight arrangement in place for how the Council monitors the performance of and relationship with TMOs, aligned with the contractual terms of the management agreements. We further recommend that the Council updates its action plan in relation to TMOs to ensure it considers all matters raised through routine internal audit inspections over the course of 2023/24, any other issues brought to the Council's attention from tenants and leaseholders, and any matters which have arisen following the RSH inspection. We finally recommend that, in the interest of transparency and good governance, the Council should present progress against its action plan through its governance structure, for instance through Audit, Governance and Standards Committee or through Overview and Scrutiny Committee.	

Below we have set out our findings from following up recommendations raised in respect of significant weaknesses identified in prior periods:

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of January 2025
5	The Council should ensure that it fully implements the agreed actions following Internal Audit's consideration of governance arrangements for funding and monitoring the activities of the Fair Community Housing Services (FCHS) Tenant Management Organisation (TMO).	Refer to the Annual Auditor's Report in relation to the 2022-23 financial year.	This recommendation has not been implemented by 31 March however actions have been taken post year-end. See the updated recommendation set out above.

Significant Value for Money Risk

DRAFT FOR DISCUSSION PURPOSES ONLY

The risk

Allegations raised from media reports and other information received by us stated 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. This included works at two estates, Devon Mansions and Canada Estate.

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

Evaluated the process by which the Council monitors the performance of contractors and consultants.

Major works relates to capital expenditure incurred by the Council to substantially improve the quality of its homes. It differs from repairs and maintenance in that the nature of works is more substantial than a simple repair. It also differs from new homes, in that the works are to existing properties. A large part of major works with the Quality Homes Improvement Project (QHIP), a legacy programme to improve the standard of homes which has been drawing to a close.

The Council informed us that the total value of major works during 2023/24 was approximately £58m. The largest value scheme related to Kingswood, making up £27.5m of that expenditure.

The Council's principles of contract management are set out in the Asset Management Strategy, (the "Strategy") which was a multi-year document covering the period of 2016/17 to 2023/24.

The Strategy states that:

- *The performance of contractors will be monitored through a series of Key Performance Indicators (KPIs) which will be analysed to see where service improvements are required.*
- *Wherever possible in house technical support services [e.g. surveyors] are used, but if professional technical services are required from outside firms, the intention is to use a small number of high quality firms through frameworks for exactly the same reasons as for contractors.*

The Strategy sets out the basis upon which contract management arrangements should be implemented in practice.

Key to contract monitoring is the use of consultants, also known as "employers agents", which fall in the category of technical support services. We note the Council has used external surveyors/consultants as opposed to in-house expertise. Reporting showed the vast majority of spend being overseen by calfordseaden (with only one other consultant used). Therefore, the Council has complied with the principle it set out in the Strategy.

Contract monitoring arrangements

The Council has a set of contract management arrangements which are applicable to all contracts determined to be "strategic".

The "Contract Management Checklist" sets out that there should be a "regular review of progress against plan", "key performance indicators monitored", and "regular contract meetings organised".

To support this, the Council developed a template "contract management plan". This sets out key details about the contract, including costs, agreed variations, agreed KPIs, and the review process, which includes the annual performance review. The template provides a helpful means for the Council to quickly understand the key factors relating to each contract and therefore effectively able to discharge its duties under each contract.

Significant Value for Money Risk

The Council shared example internal reports in relation to the QHIP programme as a whole, as well as the Kingswood estate. The QHIP report for February (reviewed in March 2024) indicated a cumulative underspend on the programme of approximately £152m, a large part of which was triggered during the pandemic, however actual costs tied much closer to budgets in 2022/23 and 2023/24.

The report also indicated a large increase in assets falling outside of the decent homes standard, with c. 9k homes being found to meet that definition in 2023/24 (7k in 2022/23), which suggests the major works programme to be off-track although works would have been delayed during the COVID-19 pandemic.

The example project reports for Kingswood, however, showed a good degree of detail in comparing financial and operational KPIs against budget/expectation, which was then supported with commentary to explain what was causing divergence and what action is being taken to bring the project on track.

The project log indicated that additional repairs to brickwork were identified once scaffolding allowed access to inspect bricks, which suggests there was insufficient due diligence of the work required prior to commencing the works.

The QHIP report indicated, in the risk register, that there was improvement required in the management and control of contractors, with consultants (employer's agents) having a low degree of ownership of design and slow escalation of overspends. The risk register indicates that the Council had concerns in respect of how expenditure was managed over the course of 2023/24, particularly in relation to contractors, where the Council has delegated that oversight to the employer's agent.

RICS state "The employer's agent should be carrying out regular inspections of the work as much of the construction project is covered up by the finishes and on issuing the practical completion statement the employer's agent is confirming that the contractor has complied with the contract".

DRAFT FOR DISCUSSION PURPOSES ONLY

We would consider it typical practice for the Council, as employer to the contractors, to physically inspect construction sites over the course of a contract to challenge contractors, identify issues as they arise, and compare progress against information presented through progress reports and scheduled payments. This is what we typically see across large housing association landlords performing large construction activities, such as building new homes.

In discussion with Council officers, we established that the Council did not perform those inspections. This is despite the Council having the expertise in-house to perform such inspections and therefore the failure to do so was not due to a lack of resource.

Noting the value of public money being spent on properties, alongside the Council's need to be democratically accountable for the work done on its behalf, we believe it is appropriate for the Council to exercise its own oversight of contractors' work as opposed to relying solely on agents, particularly in light of the concerns identified by the Council in agent performance.

In addition, the Council should be reviewing and challenging the work performed by its agents both at the design phase (where the scope of works is identified) and in execution.

Evaluated whether the Council had adequate controls in place to review works performed and progress to date prior to making payments to contractors.

We asked the Council about its arrangements for making payments to contractors. The Council informed us that it is obligated to make payments to contractors following the receipt of a valid application, in accordance with contractual terms. The employer's agent is responsible for ensuring that applications for payment are valid prior to certifying that application, and any valid application must be paid. Therefore, we do not believe that the Council's arrangements for making payments to major works contractors is unreasonable.

Our conclusion

Based on our findings, we have determined that there is a significant weakness in arrangements to ensure good governance, on account of the failure of the Council to effectively monitor and oversee contractors performing major works to properties. For the same reason, we also determined that there is a significant weakness in arrangements to secure economy, efficiency, and effectiveness in the use of resources because effective contract management is critical to ensuring that works were done in an economical and effective fashion.

Significant Value for Money Risk: Recommendations

DRAFT FOR DISCUSSION PURPOSES ONLY

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date
3	The Council is dependent on its employers agents for ensuring contractors for major works complete their activities properly and are paid only for work completed. Whilst this is not unreasonable, and is established practice within the construction industry, it is also expected that organisations such as the Council engaging contractors also undertake their own oversight. This is to ensure that construction work is progressing in line with the timetable expected by the Council, any emerging issues are promptly identified, and unexpected delays or cost increases are kept to a minimum. We understand that the Council's major works team did not inspect construction activities and challenge contractors and agents, meaning the Council was unable to effectively hold contractors and agents to account. We understand that the Council does have sufficiently skilled individuals to perform this role. We further understand that some residents and leaseholders, who have concerns regarding the quality and price of works performed on their properties, were able to perform that review and challenge of the contractors when the Council did not. We recommend that the Council introduces a process of monitoring the delivery of major works schemes. This should include both the review of contractor performance, as well as reviewing the performance of agents. Site inspections should be performed in order to inform those reviews. Where poor performance is identified the Council should hold contractors and agents to account.	

Improving economy, efficiency and effectiveness



DRAFT FOR DISCUSSION PURPOSES ONLY

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

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Cost benchmarking

Key to identifying how a Council can ensure economy and efficiency is to assess how its costs compare to others. We did not identify a systematic manner in which the Council assesses how the cost of its services compares to peers in London and we would expect that benchmarking would form part of the Council's identification of savings plan. However, noting the strength of the Council's general fund, the Council does not generally need to take firm action to control costs to stay financially sustainable.

We did see the Council benchmarking its Housing Revenue Account (HRA) cost base, as well as assess the fees charges for leisure services following in-sourcing. We consider this to be good practice as it demonstrates the Council a) using benchmarking to respond to a pressure, and b) using benchmarking to help design a new service.

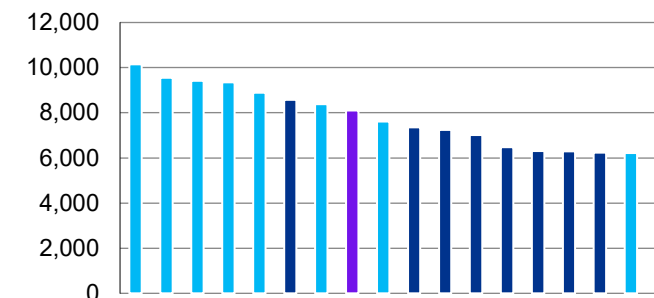
Procurement

To ensure the Council achieves the best value when buying goods and services, the Council has a multi-stage procurement approval process. This is set out in the Constitution. The number of stages of approval required is dependent on the value of the expenditure, with very low value spend subject to a simpler process as is allowed by procurement law. The stages are:

- Stage 0: Pre-procurement assessment (to identify routes to market);
- Stage 1: Approval of procurement strategy;
- Stage 2: Approval of contract award; and
- Stage 3: Approval of contract variation or extension (if required).

Our review of the gateway reports as presented to Cabinet saw that reports are comprehensive, and include both qualitative and quantitative factors driving recommendations to members in line with our expectation.

HRA Spend Per Dwelling (year to 31 March 2022)



Not all authorities are included as the Council was not able to obtain the financial data or the Council had no housing. Light blue: Inner London Borough. Purple: Southwark

Improving economy, efficiency and effectiveness

DRAFT FOR DISCUSSION PURPOSES ONLY

Tender waivers

Councils are required to ensure they achieve best value through procurement which is achieved generally through a procurement exercise. On occasion, it is necessary to obtain a waiver from procurement rules as there may be an urgent reason to award a contract to an incumbent, or there may be a monopoly supplier. The Council's Constitution allows for a waiver from procurement policy via a Gateway approval from Cabinet, in line with expectation.

Most public sector organisations subject tender waivers to retrospective review and approval by a separate part of the governance structure to ensure parties approving waivers are appropriately discharging their duty. The Council told us that they do not have a single register of all waivers approved and consequently there is no review of tender waivers by any one body.

We would expect the Audit, Governance and Standards Committee to review waivers on a regular basis to ensure there is oversight of the waiver process and opportunity to challenge situations where the Council is potentially not achieving best value.

Contract performance

The Council has in-sourced nearly all services previously provided by the private sector, meaning that the Council has limited need to review the quality of public-facing outsourced services. Following leisure in-sourcing, the Council's primary outsourced service is for waste collection which is outsourced to Veolia under a Public Finance Initiative (PFI) arrangement.

The Council will need to consider if its approach to contract monitoring will need to evolve following the Procurement Act coming into effect in February 2025.

A major source of contracts for the Council is with builders for capital works, in particular for new homes and major works on existing homes. As set out on page 30, we do not believe that the Council's arrangements for monitoring the performance of contractors working on major works projects is sufficient to ensure economy and effectiveness in the use of resources.

Operational performance

The Council told us that it has recently restarted its performance monitoring division following suspension of the performance monitoring regime during the COVID-19 pandemic. The Council has developed a suite of Key Performance Indicators (KPIs) which are reported on a quarterly basis to the Corporate Management Team (CMT). These KPIs are aligned to individual commitments set out in the Council Delivery Plan.

Individual CMT members, Cabinet members, and Directors have been given named responsibility for individual metrics. The KPI report also, appropriately, defines each metric and gives indication of the achievement required. Quarterly performance is tracked over time, with commentary given for performance of the KPI. KPIs are "RAG rated" according to performance against target.

We also saw that the number of KPIs had increased compared to the Q3 position reported in the previous Auditor's Annual Report demonstrating that the Council appropriately revises its approach to performance monitoring on an ongoing basis.

However, not all red and amber KPIs included commentary to explain why performance targets had not been met, including some with a negative direction of travel. This suggests that the KPI suite was not being used to its maximum potential to monitor and improve Council performance.

	Red	Amber	Green
KPIs at Q3 2023/24	35 (6.5%)	26 (15.5%)	126 (56.0%)
KPIs at Q4 2023/24	43 (15.5%)	45 (16.2%)	149 (53.6%)
Change (in % terms)	▲ 9.0%	▲ 0.7%	▼ 2.4%

Percentages do not sum to 100% as some KPIs are not graded as they are for information only.

We believe the KPI report is an appropriate tool for monitoring the Council's performance, but we noted that the KPIs are not externally reported or reviewed by either the Cabinet or Overview & Scrutiny. We believe it is important for there to be democratic oversight of the Council's performance and commitment to residents, including whether KPIs are relevant to stakeholders.

Overall, notwithstanding the point to the left in relation to major works, we have not identified any risks that arrangements to secure economy, efficiency, and effectiveness may be insufficient.



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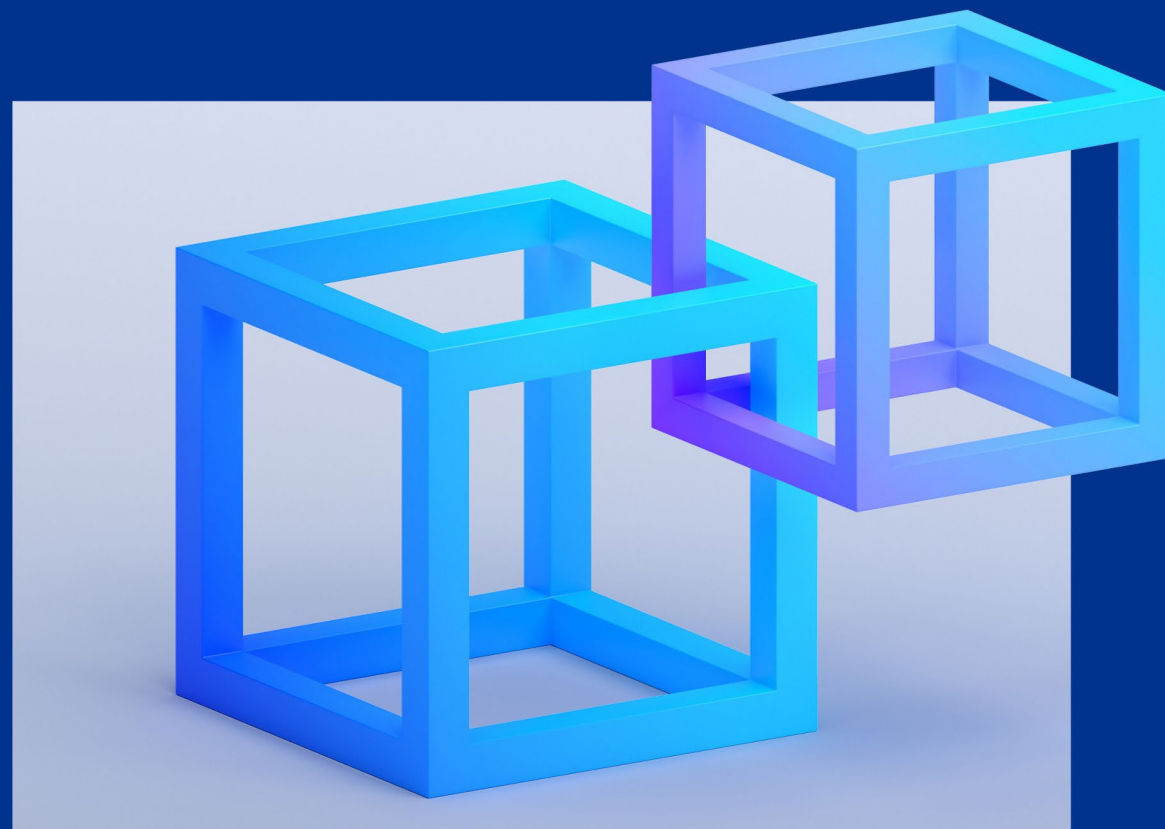
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London Borough of Southwark Pension Fund

Year End Report to Audit, Governance &
Standards Committee – Discussion Draft

Report for the year ended 31 March 2024



Contents

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Introduction

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

We are pleased to have the opportunity to share this report with you on 3 February 2025 and to discuss the results of our audit of the financial statements of London Borough of Southwark Pension Fund, as at and for the year ended 31 March 2024.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions.

This report should be read in conjunction with our audit plan and strategy report, presented on 5 September 2024.

We will be pleased to further elaborate on the matters covered in this report when we meet.

Status of our Audit

Subject to the Administering Authority's approval, provided that the outstanding matters noted on page 5 of this report are satisfactorily resolved, we expect to issue an unmodified Auditor's Report.

There have been no significant changes to our audit plan and strategy.

We draw your attention to the important notice on page 4 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Restrictions on distribution of this report

Yours sincerely,



Fleur Nieboer

Partner KPMG LLP

3 February 2025

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 management; and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

Important notice



This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

Circulation of this report is restricted.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of London Borough of Southwark Pension Fund (the 'Fund'), prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, as at and for the year ended 31 March 2024.

This Report has been prepared for the Administering Authority's Audit, Governance and Standard Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Fund's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 5 'Our Audit Findings' outlines the outstanding matters in relation to the audit. Our conclusions will be discussed with you before our audit report is signed.

Restrictions on distribution

The report is provided on the basis that it is only for the information of the Audit, Governance and Standard Committee of the Administering Authority; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

Our audit findings

Significant audit risks		Page 07 - 09
Significant audit risks	Our findings	
Management override of controls	No issues identified	
Valuation of directly held property	We have utilised KPMG Real Estate experts as part of our work in this area. The overall valuation is considered as balance.	
Key accounting estimates		Page 09 - 12
Valuation of directly held property	We assessed the assumptions underpinning the valuation as balance.	
Valuation of level 3 pooled investment vehicles	We agreed the value to investment manager confirmations and assessed the NAV statements as reliable.	
Valuation of level 1 and 2 pooled investment vehicles and segregated investments	We verified the pricing at the year end to an independent pricing source (where available). For ULIPs, we verified from fund manager the willingness to transacts at the price obtained.	

Uncorrected Audit Misstatements			Page 18
Understatement/ (overstatement)	£m	%	
Net assets	nil	nil	
Number of Control deficiencies			
Page 20 - 22			
Understatement/ (overstatement)			
Significant control deficiencies			1
Other control deficiencies			2

Outstanding matters

Our audit is in progress, outstanding matters are as set out below:

- Completion of our work on membership data following the receipt of responses to our queries.
- Completion of our work over period end and post closing journals.
- Review of updated draft financial statements
- Completion of internal review and quality control procedures
- Completion of our post balance sheet events review up to the date of sign off
- Receipt of signed letter of representation and approved and signed financial statements

Expenditure recognition

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.

Expenditure in a pension scheme equates to payments to members and management expenses. There are no subjective issues concerning when expenses need to be recognised. Amounts involved cannot easily be manipulated through accounting policies, timing or other policies. There is little incentive for the Fund to manipulate the financial reporting of expenses. Therefore, in the absence of specific fraud risk factors, there is no risk of fraudulent financial reporting arising from the manipulation of expenditure recognition for the Fund.

Significant risks and other audit risks

We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our knowledge of the Fund, the industry and the wider economic environment in which the Fund operates.

We also use our regular meetings with senior management to update our understanding.

Significant risks

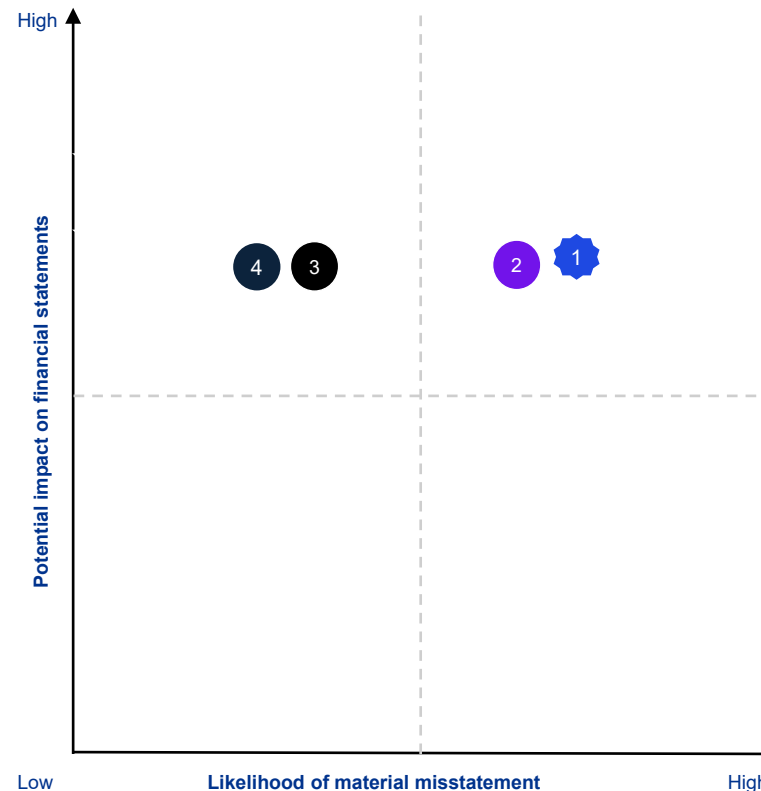
1. Management override of controls
2. An inappropriate amount is estimated for the value of directly held property

Other audit risks :

3. Valuation of other Level 3 investments is misstated
4. Valuation of Level 1 and 2 investments is misstated

We have split the risk related to valuation of investments between other Level 3 and Level 1 and Level 2 investments, mainly due to the different nature of these assets.

Fair values for Level 3 assets would require at least one input whose valuation is based on unobservable market data whereas, Level 2 assets are those instruments which are traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.



KEY

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

See the following slides for the cross-referenced risks identified on this slide.

Audit risks and our audit approach

1 Management override of controls^(a)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

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

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



Our response

Our audit methodology incorporates the risk of management override as a default significant risk. We have:

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

Audit risks and our audit approach (cont.)

1 Management override of controls^(a)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

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

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



Our findings

- We have not identified any indication of management override in the year leading to material misstatement or significant concern.
- We have reviewed the accounting records and did not identify any significant unusual transactions.
- We have also reviewed management estimates, and the journal entries posted in the period and around the year end. We did not identify any areas of bias in key judgements made by management.
- We performed the screening of journals listing and did not identify any high-risk criteria. Our screening procedures identified journal entries and our examination of these did not identify unauthorised, unsupported or inappropriate entries.
- Our work in this area is substantially complete with some minor areas of testing outstanding.

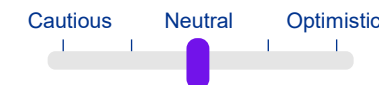
Journal controls are now subject to enhanced scrutiny by auditors and must comply with a series of prescriptive criteria in order to be considered effective. We did not identify effectively designed and implemented controls over journal entries because management do not enforce journal entry authorisation within SAP. Whilst there are authorisation logs for journal entries, there was no mechanism to stop a fraudulent entry being posted without being recorded on the journal entry log.

See Appendix 5 for our recommendation and management's response.

Audit risks and our audit approach

2 Incorrect valuation of directly held property

Assessment of accounting estimate



Significant audit risk

An inappropriate amount is estimated for the value of property due to inappropriate assumptions, errors in the underlying data or inaccurate computation of the valuation estimate. The significant risk is driven by the market assumptions due to the subjectivity and complexity involved in their determination.



Our response



Our findings

- We obtained the property valuation produced by the independent valuer as at 31 March 2024 directly from Nuveen, fund manager who further engage an independent valuer, Knight Frank (the property valuer). We noted the proposed valuation recorded by management was understated by £1.39m.
- We assessed Knight Frank as a management specialist and assessed their competency as a property valuer and their work for use as an audit evidence.
- We involved KPMG property valuation specialists to evaluate the assumptions underlying the properties' valuations for a selection of the directly held property portfolio, holding direct discussion with Knight Frank in respect of the underlying assumptions used for the valuation.
- The KPMG Real Estate team have challenged the valuer on the valuation inputs and reasons for value movement, considered any comparable evidence provided by the valuer and referred to our own internal sources of comparable data, market research, benchmark yields and MSCI data throughout our review. The KPMG Real Estate team evaluated a risk-based sample of properties and concluded that the valuations were balanced.
- Under the International Standards of Auditing, we are required to identify and evaluate the design and implementation of an internal control in relation to significant risks. Whilst the fund manager appoints a third party (Knight Frank) to value the property, we did not identify an associated management review or other control that that meets the requirements of the auditing standards.

Audit risks and our audit approach

3

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



Other audit risk

Investments are held to pay benefits of the Fund. They are held as pooled investments and cash with 18 investment managers. The investments are material to the financial statements (more than 95% of the Statement of Net Assets) and therefore there is a risk of material misstatement.

There is a risk of material misstatement relating to fair values of level 1 and 2 pooled investments and segregated assets, due to the estimation uncertainty resulting from the pricing of these investments.

There is a risk of material misstatement relating to fair values of level 3 pooled investments, due to the estimation uncertainty resulting from unobservable inputs to these investments.



Our response

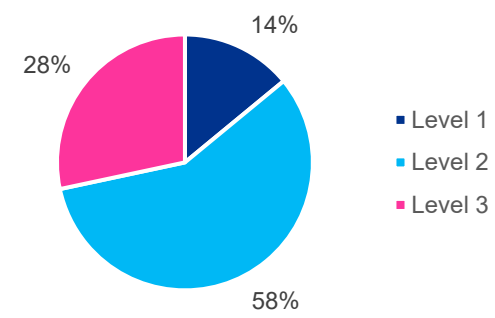
Our approach in relation to valuation for different types of investments is as follows:

- **Segregated financial instruments:** Our in-house investment valuation team, iRADAR, was engaged to independently revalue segregated securities and over the counter (OTC) derivative prices and identify stale price issues of directly held financial instruments within the investment portfolio as well as any exposures to hard to value assets.
- **Level 1 & 2 Pooled Investment Vehicles:** We recalculated the value of the Level 1 and 2 pooled investments using published pricing of the pooled investment vehicles at the year end (where available). For ULIPs, we verified from fund manager the willingness to transact at the price obtained.
- **Level 3 Pooled Investment Vehicles:** For each Level 3 pooled investment vehicle investment manager, we obtained the unaudited Net Asset Value ('NAV') Statement at (or closest to) the measurement date and vouched the valuation to this. We further assessed the reliability of the NAV statement for all Level pooled investment vehicles by:
 - Obtaining and inspecting the latest audited financial statements for the underlying funds where available;
 - Inspecting the audit report to confirm that it is unqualified and that the audit has been carried out by a reputable audit firm; and

See following pages for our findings.

Audit risks and our audit approach (cont.)

Level 3 Investments

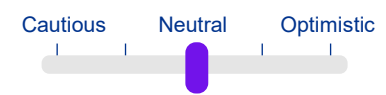


Type of security	Portfolio	Market value 2024 (£m)	Percentage of portfolio 2024 %	Market value 2023 (£m)	Percentage of portfolio 2023 %
Inputs are unobservable (i.e. market data is unavailable)					
Level 1: Segregated		313.56	14%	267.22	13%
Level 2: PIVs		1,287.61	58%	1,220.73	60%
Level 3: PIVs		404.41	18%	352.29	17%
Level 3: Property		217.38	10%	197.34	10%
Total		2,222.96	100%	2,037.59	100%



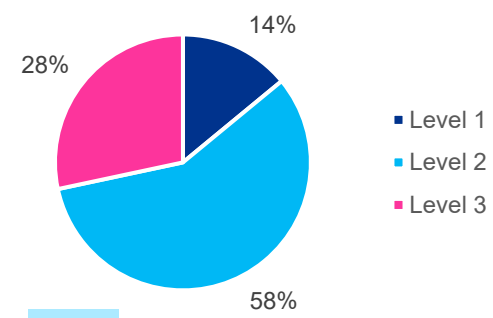
Our findings

Type of security	Our findings	Assessment of accounting estimate
Property	Refer to page 9 for the commentary and findings in respect of property assets	
Level 3 Pooled Investment Vehicles	- We obtained direct confirmations from the custodian and all the investment managers to vouch the holdings and valuation of assets at the year end; - The draft financial statements are prepared on the basis of latest available valuations that are sometimes lagged due to delay in preparing the quarterly valuation statements by investment managers. Our audit procedures involved obtaining valuations as at 31 March 2024. We have identified an overstatement of £11.61m between the values in the draft financial statements and those provided by the investment managers as at 31 March 2024. This is relating to Blackstone (£10.36m) and M&G (£1.25m). This is not material to our financial statement's opinion. See Appendix 4 for details.	



Audit risks and our audit approach (cont.)

Level 2 Investments



Our findings

Type of security	Portfolio	Market value 2024 (£m)	Percentage of portfolio 2024 %	Market value 2023 (£m)	Percentage of portfolio 2023 %
Inputs are unobservable (i.e. market data is unavailable)					
Level 1: Segregated		313.56	14%	267.22	13%
Level 2: PIVs		1,287.61	58%	1,220.73	60%
Level 3: PIVs		404.41	18%	352.29	17%
Level 3: Property		217.38	10%	197.34	10%
Total		2,222.96	100%	2,037.59	100%

Type of security	Our findings	Assessment of accounting estimate
Segregated assets	Our in-house investment team, iRADAR, was used to verify the segregated securities and over the counter (OTC) derivative prices and identify stale price issues of directly held financial instruments within the investment portfolio as well as any exposures to hard to value assets. No issues were noted in these assets.	CautiousNeutralOptimistic
Level 2 Pooled investment vehicles	We obtained direct confirmations from your custodian and all your investment managers to vouch the holdings and valuation of assets at the year end; We engaged our in-house investment team, iRADAR who verified the pricing of the pooled investment vehicles at the year end to an external pricing source (where available) and noted no issues in these assets. For ULIPs, we verified from fund manager the willingness to transacts at the price obtained and noted no issues.	CautiousNeutralOptimistic

Other matters

Annual report

The Pension Fund annual report will be issued later than the financial statements. We will consider whether there is a material inconsistency between this information included in the annual report and the financial statements, or with our knowledge obtained in the audit; or whether this information appears to be materially misstated.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

We have not completed any non-audit work at the Fund during the year.

See page 22 for more details.

Audit Fees

Our PSAA proscribed 2023/24 audit scale fee for the audit was £75,000 plus VAT.

The scale fees agreed with the PSAA do not take into account the impact of ISA315 (Revised). We have agreed a fee variation of c5% of the fee plus VAT with you in respect of ISA351R.

Appendices

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Required communications

Type	Response
Our draft management representation letter	☒ OK We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024.
Adjusted audit differences	☒ OK There were 3 adjusted audit differences with an impact on net assets of £11.40 million. See page 19.
Unadjusted audit differences	☒ OK The aggregated impact on net assets of unadjusted audit differences would be £nil. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate.
Related parties	☒ OK There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	☒ OK There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	☒ OK We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	☒ OK No actual or suspected fraud involving Fund management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Make a referral to the regulator	☒ OK If we identify that potential unlawful expenditure might be incurred then we are required to make a referral to your regulator. We have not identified any such matters.
Issue a report in the public interest	☒ OK We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties	☒ OK No significant difficulties were encountered during the audit.
Modifications to auditor's report	☒ OK None
Disagreements with management or scope limitations	☒ OK The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	☒ OK No material inconsistencies were identified related to other information in the statement of accounts.
Breaches of independence	☒ OK No matters to report. The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence.
Accounting practices	☒ OK Over the course of our audit, we have evaluated the appropriateness of the Fund's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	☒ OK No significant matters arising from the audit were discussed, or subject to correspondence, with management.
Certify the audit as complete	☒ OK We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

Fees

Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£)
Statutory audit	75,000
ISA315r	7,840
TOTAL	82,840

**Note: we are in a process of agreeing the ISA315r fee uplift.*

Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.
- As per PSAA's Scale Fees Consultation, the scale fees did not include new requirements of ISA315 revised (risk of material misstatement);

Confirmation of Independence

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

To the Audit, Governance and Standards Committee members

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

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

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

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

General procedures to safeguard independence and objectivity

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

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

The conclusion of the audit engagement partner as to our compliance with the FRC Ethical Standard in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate is subject to review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs.

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

Confirmation of audit independence

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

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

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

Uncorrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit, Governance and Standard Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements.

There are no uncorrected misstatements to report.



Corrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit, Governance and Standard Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Corrected audit differences (£m)				
No.	Detail	Fund Account Dr/(Cr)	Net Asset Statement Dr/(Cr)	Comments
1	Dr Directly held Property Cr Change in market value	(£1.39m)	£1.39m -	Due to mathematical inaccuracy performed by fund manager, the valuation of directly held property was misstated and wrongly recorded in the financial statements.
3	Dr Change in market value Cr Pooled Property (L3 pooled funds) Cr Private Equity (L3 pooled funds)	£11.61m	(£1.25m) (£10.36m)	Latest available value for private equity and pooled property was taken at the time of preparing the financial statements. However, it was the lagged valuation. While performing the audit, KPMG was able to confirm the valuation as at 31 March 2024 by obtaining an independent confirmation from fund manager and noted variance between the management's valuation and latest NAV.
Total		£10.22m	(£10.22m)	

Disclosure differences	
Matter	Comment
Capital commitments disclosure	Capital Commitments due as at 31st March 2024 relating to the Temporis Impact Strategy V Fund have been understated by £6.09m.
Capital commitments disclosure	Capital Commitments due as at 31st March 2024 relating to the Frogmore FREP III Fund have been overstated by £6.43m. These were considered as recallable when recording the outstanding commitments.
Investment risk disclosure	Assets exposed to currency risk is understated by £7m within disclosure of nature and extent of risks arising from financial instruments. Awaiting management's confirmation.
Reconciliation of movements in investments	Purchase and Sales within notes for reconciliation of movements in investments have been overstated by £70m. This won't have any impact on the closing investment valuation. Awaiting management's confirmation.

Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations			
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately, but the weakness remains in the system.
3	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.		

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
1	1	Approval of journals: Segregation of duties The Pension Fund has a process where journal entries require authorisation prior to posting in SAP. Whilst none of the journal entries we selected for testing lacked authorisation, we note that the system – as configured – does not enforce authorisation meaning there is a risk that a journal could be posted without approval. We understand the limitations the Pension Fund has identified in the current system meaning they do not believe an approval workflow will be useful. The Pension Fund should consider introducing an approval workflow in its replacement finance system..	
2	2	Management review of valuation of directly held property Under the International Standards of Auditing, we are required to identify and evaluate the design and implementation of an internal control in relation to significant risks. Whilst the Audit, Governance and Standard Committee appoints a third-party fund manager, Nuveen to manage its property portfolio and who further in turn engage Knight Frank to value the property, we did not identify an associated management review or other control that meets the requirements of the auditing standards. We recommend that the Fund review and challenge the valuations provided by the valuer. This process should be fully documented.	

Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations			
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
3	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.		

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
3	2	Related parties We noted that no formal process is followed by the Fund to identify related parties at the year end and to ensure that all related party transactions are captured. We therefore recommend that the Fund considers putting in place a formal process to do this as part of its year end close processes.	
4	2	Valuation of investments We noted that no formal process is followed by Fund to update the investment valuations after preparing draft financial statements. There is a risk that investments are recorded at lagged valuations. We therefore recommend that the Fund considers obtaining the asset confirmations from fund managers again (at least after 6 months from the year end) for those assets which were recorded at lagged valuations within the first draft of financial statements.	

Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations			
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
3	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.		

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
5	3	Membership reconciliation We noted that no formal member reconciliation is performed noting membership changes in the year, reconciling movements and cross checking against the underlying payroll records. There is a risk that membership information may be incorrect. We therefore recommend that the Fund considers performing an annual membership reconciliation to ensure the completeness and accuracy of member records, which should be checked against the underlying payroll records for active and pensioner members at the year end or keep an audit trail and do a formal check when a report is run for the year end.	

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

Ongoing impact of the revisions to ISA (UK) 240

- ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements* included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.
- We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

Our assessment of the risks of material misstatement due to fraud may be found on page 5 and 7. We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements*, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

Based on our assessment, we have no matters to report to Those Charged with Governance.

KPMG's Audit quality framework

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

To ensure that every engagement lead and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework. Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



■ Association with the right entities

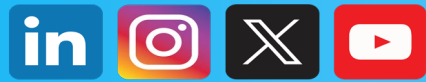
- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members



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Document Classification: KPMG Public

Meeting Name:	Audit, Governance and Standards committee
Date:	9 January 2025
Report title:	Final Statement of Accounts 2023-24
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	n/a

RECOMMENDATION

1. That the Audit, Governance and Standards committee:
 - a. Note the adjustments to the council's accounts as set out in paragraph 14
 - b. Note the adjustments to the Pension Fund accounts as set out in paragraph 15
 - c. Approve the letters of representation for the council and Pension Fund (Appendices A and B) as required by KPMG in order to conclude the audit of the 2023-24 statement of accounts
 - d. Approve the Statement of Accounts 2023-24 (Appendix C) subject to any final changes required by the conclusion of the audit, being delegated to the Strategic Director of Resources in consultation with the Chair of the Audit, Governance and Standards committee.

BACKGROUND INFORMATION

2. The council's new auditors for the 2023-24 financial year onwards are KPMG, who have reentered local authority market, following the conclusion of Grant Thornton's work on the 2022-23 accounts.
3. Separate audits are conducted for the main Council accounts and the Pension Fund accounts and are reported on separately. However they are presented together in the statement of accounts, which the Audit, Governance and Standards Committee (AGS) is being asked to approve.
4. KPMG is required under the statutory Code of Audit Practice for Local Government Bodies to issue reports to those charged with governance summarising the conclusions of their audit work. This audit findings report (AFR) will be presented to AGS separately.
5. In the AFR the auditors record any agreed changes made to the statement of accounts. The council is presenting the updated and final version of the

accounts which include these agreed changes and which the auditors will deliver an opinion on.

6. There have been well documented delays to local authority audits over the past few years. A combination of corporate failures resulting in personal liability for partners of audit firms, a lack of a local authority-specific approach to audit, and resourcing challenges have resulted in multiple years of council accounts being open and unaudited.
7. Government legislation in 2024 aimed to encourage the publication of accounts and completion of audits by setting statutory backstop dates. These dates are staggered in order to bring local authorities up to date with audited accounts by 2028. Where an audit cannot be completed a disclaimer opinion is issued by the auditors which decreases accountability for local authority finances.
8. The backstop date for the publication of audited 2023-24 accounts is 28 February 2025. The backstop date for the publication of audited 2024-25 accounts will be 27 February 2026.
9. A large number of councils are facing disclaimed opinions on multiple years of accounts, exacerbating challenges for ongoing audits and closing financial years. According to data from the consultancy firm LG Improve 134 (43%) councils in England have published 2023-24 accounts with disclaimer opinions. Only 28 (9%) English councils have published final 2023-24 accounts (both as at 1 Jan 2025).
10. Southwark is fortunate not to be in this situation partly due to the strength of its finance staff resources and ongoing dialogue with auditors about timely and reasonable audits. With the approval of the 2023-24 accounts Southwark will be fully up to date with its audited accounts and will approach the closure of the 2024-25 year in a strong position.
11. Although audits are still much longer than they historically have been, the first year with new auditors requires more discovery and process mapping. Southwark and KPMG will continue to work together to make audits efficient and timely.

KEY ISSUES FOR CONSIDERATION

The final statement of accounts 2023-24 and adjustments made

12. The auditor has completed the audit of the financial statements for 2023-24 and anticipates issuing an unqualified opinion.
13. During the audit the auditors discussed with the council and Pension Fund certain material changes to the accounts that in their view would enhance the accounts as a true and fair view of the council's finances.
14. Those changes accepted for adjustment in the council's accounts are:
 - a. Valuations: the council has agreed to adjust the valuation of its

substantial social housing portfolio. Given the subjective and detailed nature of these valuations it is not uncommon for adjustments to be made following audit review. Dwellings have been revalued downwards by £115m, other land and buildings have been revalued downwards by £21m, and Investment Property was revalued upwards by £8.7m.

- b. Cash: the council has adjusted its figure for cash & cash equivalents as a result of audit review of the accounting standards; £1m of investments with maturity of less than 3 months were reclassified from short-term investments to cash equivalents. This also resulted in 22/23 short-term investments being restated down by £30m and cash equivalents being restated up by £30m to be consistent.
 - c. There are various sundry changes of wording and adjustments to figures which resulted from technical reviews and small misstatements. None of these is material, affects the performance of the council, or would change a reader's view of the council's accounts.
15. Those changes accepted for adjustment in the Pension Fund's accounts are:
- a. Investment valuations: Due to the timing of when the accounts were prepared and the audit period more up to date valuation information became available for a number of level three investments held. This indicated investments were overstated by £11.6m. This was deemed to be an adjusting event after the reporting period and an adjustment was therefore made in the pension fund accounts to revalue these investments downward.
16. The outcome of the Value for Money (VFM) audit will be reported in the auditor's annual report which will be presented to AGS separately.

Letters of representation

17. The proposed letters of representation for the main council statements and the pension fund are set out in Appendices A and B respectively. The auditor has asked for a number of representations to be given, and there are no reservations in being able to give those representations.

Policy framework implications

18. There are no direct policy framework implications in this report.

Community impact statement

19. 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 outcome.

Equalities (including socio-economic) impact statement

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

significant equalities impact.

Health impact statement

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

Climate change implications

22. This report is no considered to contain any proposals that would have a significant impact on climate change.

Resource implications

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

Financial implications

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

Legal Implications

25. 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 regulations made there under.

Consultation

26. Consultation on the draft statement of accounts is carried out through formal public inspection. The accounts were open for public inspection from 8 July to 16 August 2024.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

27. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Department of Resources files	Resources Department, Second Floor, Tooley Street	Humphrey Thompson 020 7525 7326

APPENDICES

No.	Title
Appendix A	Letter of Representation for Southwark Council
Appendix B	Letter of Representation for Southwark Council Pension Fund
Appendix C	Statement of Accounts 2023-24 for Southwark Council and Pension Fund

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Humphrey Thompson, Deputy Chief Accountant		
Version	Final		
Dated	23 January 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments Included
Assistant Chief Executive, Governance and Assurance		No	N/A
Strategic Director, Resources		No	N/A
Cabinet Member		N/A	N/A
Date final report sent to Constitutional Team			23 January 2025

KPMG LLP
15 Canada Square
London
E14 5GL

Clive Palfreyman
Section 151 Officer and Strategic Director of Resources
clive.palfreyman@southwark.gov.uk

Date: 03 February 2025

**Ref: Letter of Representation for the Council
Statement of Accounts 2023-24**

Dear Fleur

This representation letter is provided in connection with your audit of the financial statements of Southwark Council ("the Authority"), for the year ended 31 March 2024, for the purpose of expressing an opinion:

- i. as to whether these give a true and fair view of the financial position of the Authority as at 31 March 2024 and of the income and expenditure for the year then ended;
- ii. whether the Authority's financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("CIPFA/LASAAC Code").

These financial statements comprise the following: the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement, Statement of Cash Flows, Collection Fund, Housing Revenue Account and the notes, comprising material accounting policies and other explanatory information and the Expenditure and Funding Analysis.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2024, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Authority as at 31 March 2024 of the Authority's income and expenditure for the year then ended;
 - ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

The financial statements have been prepared on a going concern basis.

2. The methods, the data and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to achieve recognition,

measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.
5. In respect of the restatement in relation to cash and short-term investments made to correct a material misstatement in the prior period financial statements, having the effect of re-classifying £30,010k of short-term investments relating to deposits held with the UK Debt Management Office as cash equivalents, the Authority confirms that the restatement is appropriate.

Information provided

6. The Authority has provided you with:

- access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
- additional information that you have requested from the Authority for the purpose of the audit; and
- unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

7. All transactions have been recorded in the accounting records and are reflected in the financial statements.

8. The Authority confirms the following:

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

9. The Authority has disclosed to you all information in relation to:

- a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
 - management;
 - members;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and

- b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, members, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe we have appropriately fulfilled those responsibilities.

10. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
11. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
12. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

13. The Authority confirms that:
 - a) The financial statements disclose all of the matters that are relevant to the Authority's ability to continue as a going concern, including the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view and to comply with IAS 1 *Presentation of Financial Statements*.
 - b) No material uncertainties related to events or conditions exist that may cast significant doubt upon the ability of the Authority to continue as a going concern.
14. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;

- funded or unfunded; and
 - approved or unapproved, have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit, Governance and Standards Committee on 03 February 2025.

Yours faithfully,

Clive Palfreyman
Section 151 Officer and Strategic Director of Resources

Appendix to the Authority Representation Letter of Southwark Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

A housing authority must present a Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- c) was available when financial statements for those periods were authorised for issue; and
- d) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

- A person or a close member of that person’s family is related to a reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity; or
 - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to a reporting entity if any of the following conditions applies:
 - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - Both entities are joint ventures of the same third party.
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - The entity is controlled, or jointly controlled by a person identified in (a).
 - A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a government that has control or joint control of, or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

KPMG LLP
15 Canada Square
London
E14 5GL

Clive Palfreyman
Section 151 Officer and Strategic Director of Resources
clive.palfreyman@southwark.gov.uk

Date: 03 February 2025

**Ref: Letter of Representation for the Pension Fund
Accounts 2023-24**

Dear Fleur,

This representation letter is provided in connection with your audit of the Pension Fund financial statements of London Borough of Southwark Pension Fund ("the Pension Fund"), for the year ended 31 March 2024, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of its assets and liabilities; and
- ii. whether the Pension Fund's financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("CIPFA/LASAAC Code").

These financial statements comprise the following: the Fund account, the Net Assets Statement and the related notes to the Pension Fund financial statements, comprising material accounting policies and other explanatory information.

The Pension Fund confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Pension Fund confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Pension Fund has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2022, for the preparation of financial statements that:
 - a. give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of its assets and liabilities;
 - b. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

The financial statements have been prepared on a going concern basis.

2. The methods, the data and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to achieve recognition,

measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. There are no uncorrected misstatements to report.

Information provided

5. The Pension Fund has provided you with:
 - a. access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - b. additional information that you have requested from the Pension Fund for the purpose of the audit; and
 - c. unrestricted access to persons within the Pension Fund from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Pension Fund confirms the following:
 - a. The Pension Fund has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b. Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.
8. The Pension Fund has disclosed to you all information in relation to:
 - a. Fraud or suspected fraud that it is aware of and that affects the Pension Fund and involves:
 - i. management;
 - ii. members;
 - iii. employees who have significant roles in internal control; or
 - iv. others where the fraud could have a material effect on the financial statements; and
 - b. allegations of fraud, or suspected fraud, affecting the Pension Fund's financial statements communicated by employees, former employees, members, analysts, regulators or others.

In respect of the above, the Pension Fund acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Pension Fund

acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe we have appropriately fulfilled those responsibilities.

9. The Pension Fund has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
10. The Pension Fund has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
11. The Pension Fund has disclosed to you the identity of the Pension Fund's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

12. The Pension Fund confirms that:
 - a. The financial statements disclose all of the matters that are relevant to the Pension Fund's ability to continue as a going concern, including the key risk factors, assumptions made and uncertainties surrounding the Pension Fund's ability to continue as a going concern as required to provide a true and fair view and to comply with IAS 1 *Presentation of Financial Statements*.
 - b. No material uncertainties related to events or conditions exist that may cast significant doubt upon the ability of the Pension Fund to continue as a going concern.
13. On the basis of the process established by the Pension Fund and having made appropriate enquiries, the Pension Fund is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 *Employee Benefits*.

The Pension Fund further confirms that:

- a. all significant retirement benefits, including any arrangements that are:
 - i. statutory, contractual or implicit in the employer's actions;
 - ii. arise in the UK and the Republic of Ireland or overseas;
 - iii. funded or unfunded; and
 - iv. approved or unapproved,
 have been identified and properly accounted for; and
- b. all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit, Governance and Standards Committee on 03 February 2025.

Yours faithfully,

Clive Palfreyman
Section 151 Officer and Strategic Director of Resources

Appendix to the Pension Fund Representation Letter of London Borough of Southwark

Pension Fund: Definitions

Financial Statements

A complete set of financial statements comprises:

- The Fund Account;
- The Net Asset Statement;
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity’s general purpose financial statements requires

an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- A person or a close member of that person's family is related to a reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity; or
 - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to a reporting entity if any of the following conditions applies:
 - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - Both entities are joint ventures of the same third party.
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - The entity is controlled, or jointly controlled by a person identified in (a).
 - A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a government that has control or joint control of, or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

STATEMENT OF ACCOUNTS

2023/24

Audited Version

Clive Palfreyman
Strategic Director of Finance
Date TBC - 22 January 2025

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

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SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

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Narrative Report 2023/24



Introduction

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

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

Southwark: An Introduction

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

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

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

As at the 2021 census Southwark has the 7th highest population density in England and Wales, with a population count of 307,700 up from 288,300 in 2011. It is young and diverse: over 120 languages are spoken in local schools; 66% of the population under 20 years old; and 75% of reception-age children are from black and minority ethnic groups.

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

Southwark: Economic climate

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

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

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

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Southwark: Community engagement and partnerships

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

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

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

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

Southwark: Workforce

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

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

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

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

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

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Council Priorities and Resource allocation

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

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

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

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

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

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

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

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Council Performance and Achievements in 2023/24

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

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

Commitments	Outcomes
Transforming our borough	- Working with partners and residents to make our Southwark 2030 ambition real, focusing on developing proposals that reflect our residents lived experiences. - Continued to embed the Council's Equality Framework into all that we do.
A thriving and inclusive economy	- Built on the Cost of Living Fund launched in 2023 by supporting over 100,000 households and providing over 16,000 children with school meals during school holidays. - Over £3.4 million in welfare benefits achieved for residents. - Launched a new employer engagement and job brokerage service. - Major improvements have continued to progress in our town centres, including Walworth, Peckham, Canada Water, and Old Kent Road. - At the end of this year over 3000 Southwark residents had received training to gain skills for work, meeting our target for 2026 early. - Creation of 1900 green jobs in Southwark since 22/23, with 660 being created in 23/24 alone. - Over 700 apprenticeships have been created for Southwark residents.
A healthy environment	- Over 5,000 trees planted by end of 23/24. - Developments made to Burgess Park, Cossall Park and Victory Park; and 19 council-managed tennis courts refurbished. - Work to end carbon emissions in council operations and vehicles and the pension fund continued. - Working in partnership with the NHS, TfL, and local organisations to free up more land. - Increased the number of secure parking spaces in bike hangars by over 600.
Quality, affordable homes	- Just over 460 council homes were completed this year, with more than half of those being family-sized homes with 2 bedrooms or more. - All council home construction sites have an active resident project team to ensure residents have a voice in the design of new homes. 99.8% of council estate inspections rated good or excellent. - Over 1,100 council homes upgraded with improved low carbon heating. 100% of rough sleepers receive support within 48hrs of a referral. - Increased the proportion of private rented households that are covered by property licensing schemes to 28%, so more private landlords have to meet higher standards.
Keeping you safe	- Over 100 police officers trained by young people on Stop & Search. 3,950 street and estate lights upgraded to LED. - Continued work to invest in improvements to our CCTV cameras and network.
Investing in communities	- Opened two libraries – One on the Kingswood estate and the Una Marson library on the Aylesbury estate. 22,280 Southwark residents attended events and festivals supported by the Cultural Celebrations Fund in 2023/24.
Supporting families	98% of schools achieved good or outstanding Ofsted rating - Over 100 extra care housing units created. 81% of our children in care live close to the borough, helping them maintain important links with their families and support systems. - Over 2,800 refugee, asylum-seeker, and vulnerable migrant households directly supported by the council.

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Financial Performance - Revenue

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

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

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

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

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

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

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

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

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

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

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

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

Housing Revenue Account (HRA) outturn 2023/24

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

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

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

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

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

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

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

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Collection Fund

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

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

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

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

Financial Performance: Capital

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

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

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

	2023/24 £000	2022/23 £000
Service capital expenditure:		
Children's and adults' services (incl schools)	29,470	14,297
Environment, Neighbourhoods and Growth	54,144	58,465
Finance	6,619	6,082
Governance and Assurance	6,635	7,488
Housing	2,108	1,572
Total GF spending	98,976	87,904
Housing Investment Programme:		
Asset Management	108,744	103,514
New build and acquisitions	216,826	202,356
Other programmes	5,639	11,089
Total HIP spending	331,209	316,959
Total spending	430,185	404,863
Financed by:		
Capital receipts	(25,650)	(36,582)
Direct revenue contributions	(5,834)	(18,915)
Government grants and other contributions	(94,572)	(145,370)
Major repairs reserve (HIP)	(46,857)	(51,708)
Prudential borrowing and credit arrangements	(257,272)	(152,288)
Total financing	(430,185)	(404,863)

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

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

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

In 2023/24 the outturn spend for the HIP was £331.2m: £216.8m for new builds, £108.7m for asset management, and £5.6m for other. During 2023/24, the New Build Programme completed the delivery of 605 new homes across 17 schemes, of which 488 are council homes at social rent, 57 are shared ownership and 60 for private sale.

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Balance Sheet: Reserves

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

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

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

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

Overall the general fund earmarked reserves have increased significantly in 2023/24, however this is largely a result of the need for risk-informed smoothing and technical reserves as well as the need to build significant resource for large-scale programmes on the horizon. The most significant of these is £17.1m for the council's Southwark360 programme which will replace our finance and HR IT systems which have been in use since 1999. Additionally resources have been created for the Cost of Living Fund (£6.8m), Highways Transformation (£6.8m), Children and Adults innovation (£3.5m), Temporary Accommodation strategy (£2.6m) and many more.

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

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

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Balance Sheet: Borrowing and Lending

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

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

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

The council invests its surplus cash in bonds, bills and money market instruments. The bonds and bills are issued by the UK government or supranational entities. The money market investments are in short-term call accounts, money market funds, term deposits and certificates of deposits issued by major UK and international banks or building societies. As at 31 March 2024, total investments stood at £67m (£220m at 31 March 2023). The overall weighted rate of return on investments during 2023/24 was 4.43% (2.07% in 2022/23).

Pension Fund

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

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

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

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

Principal Risks and Uncertainties

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

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

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

The council's 2023/24 annual governance statement highlighted the significant risks and issues that arose and referenced those that might potentially impact on future years. None of these risks would materially impact the council's operational model. Where a risk might materially affect performance in the future then details are provided. The issues that arose were:

- i) The management of the council's housing delivery programmes is a key area of financial risk. The council is the largest council landlord in London and one of the biggest in the country. The cost of living and inflationary pressures over the past 18 months have negatively impacted on the Housing Revenue Account (HRA). The government have imposed restrictions on the rent increases for social housing at 7%. This has meant that rent increases have not risen in line with construction inflation, which has created significant pressure within the HRA. Without successfully containing this risk there is a possibility that service performance within the HRA is materially impacted, for example if cost pressures limited the ability to provide better asset management services to tenants.
- ii) The council's Southwark360 programme to replace its 25-year-old Enterprise Resource Planning (ERP) system (finance and HR systems). Recent programmes of change at other councils have met significant challenges and resulted in unprecedented unplanned financial outlay. Extensive planning and mobilisation is ongoing to mitigate these risks.
- iii) Budgetary pressures in Temporary Accommodation. Southwark is a leading authority on homeless prevention and is committed to meeting unrelenting demand for temporary accommodation. The resulting financial pressures are monitored closely, and practical steps are being taken to increase the supply of appropriate housing solutions.
- iv) Cyber security and IT network security continues to require careful management, particularly in the context of the IT shared service arrangements. In an extreme event, a breach of our network would materially affect performance if officers were unable to carry out essential services for residents.
- v) Capital resources are under extreme pressure with additional borrowing required to support the new homes programmes with a consequent revenue financing impact on the HRA. The council has to consider the key housing priorities going forward within a climate of limited financial resources.
- vi) The council is aware that recruitment and retention of staff is critical to service delivery. Shortage of workers due to people retiring earlier and the continuing impact of Brexit have created further competition with private sector companies who have already adapted to this challenge with higher wages and enhanced benefits. There has been success in the council in 2023/24 in creating more permanent teams in challenging areas such as social care.
- vii) The climate emergency is a major focus for the council, working in partnership with stakeholders, partners, staff and residents to tackle the effects of climate change. The council has published a Climate Emergency Strategy and Action Plan setting out how the council will become carbon neutral by 2030 and work to ensure the borough as a whole is also carbon neutral by 2030.
- viii) The council entered into a formal Safety Valve Agreement with the Department for Education (DfE) at the end of the 2022-23 financial year. The programme focuses on improving SEND services in line with Southwark's SEND Strategy 2022-2025 and commits to reach an in-year balance on the DSG by 2024/25 and eliminating that deficit by 2026/27 with the support of £23m Safety Valve funding as set out in the DSG Management Plan.
- ix) The Cost of Living Crisis has affected a large proportion of Southwark residents. Despite inflation falling during 2023/24 household incomes were forecasted to be lower than at the last election and lower income households are disproportionately affected. The council has supported 83,000 households to date and continues to build reserves to be able continue this support in the future amidst an uncertain global economy.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

Explanation of Accounting Statements

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

Core financial statements

Comprehensive Income and Expenditure Statement

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

Movement in Reserves Statement

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

Balance Sheet

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

Cash Flow Statement

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

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

Expenditure and Funding Analysis

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

Supplementary financial statements

Housing Revenue Account (HRA)

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

Collection Fund

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

Pension Fund

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

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

TABLE 1 - EARMARKED RESERVES

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

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

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

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

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

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

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

Earmarked Reserves	209,873	32,572	242,445

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

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

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

Statement of Responsibilities



The Council's responsibilities

The Council is required to:

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

The Strategic Director of Finance responsibilities

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

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

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

The Strategic Director of Finance has also:

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

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

Signature:

Signature:

Clive Palfreyman
Strategic Director of Finance

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

Date: **Date TBC - 22 January 2025**

Date: **Date TBC - 22 January 2025**

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

Independent auditor's report to the members of Southwark Council

To be added following completion of the Audit.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

To be added following completion of the Audit.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

To be added following completion of the Audit.

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SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

To be added following completion of the Audit.



CORE FINANCIAL STATEMENTS 2023/24

Comprehensive Income and Expenditure Statement

Movement in Reserves Statement

Balance Sheet

Cash Flow Statement

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	Notes			2023/24			2022/23
		Gross	Gross	Net	Gross	Gross	Net
		Expend	Income	Expend	Expend	Income	Expend
		£000	£000	£000	£000	£000	£000
Children and Adults		560,568	(411,597)	148,971	564,947	(390,215)	174,732
Environment Neighbourhoods and Growth		148,604	(74,734)	73,870	162,790	(65,303)	97,487
Finance		342,130	(194,680)	147,450	212,617	(168,754)	43,863
Governance and Assurance		26,427	(1,753)	24,674	59,768	(2,077)	57,691
Strategy and Communities		9,033	(435)	8,598	6,911	(1,748)	5,163
Housing GF		59,302	(37,706)	21,596	48,925	(35,715)	13,210
Housing Revenue Account (HRA)		430,612	(307,392)	123,220	338,063	(285,378)	52,685
Net cost of services		1,576,676	(1,028,297)	548,379	1,394,021	(949,190)	444,831
Other Operating Income and Expenditure	8			(1,258)			(7,277)
Financing and Investment Income and Expenditure	9			82,414			53,155
Taxation and Non-Specific Grant Income and Expenditure	10			(457,246)			(475,108)
(Surplus)/Deficit on Provision of Services				172,289			15,601
(Surplus)/deficit on revaluation of non current assets	23			(73,243)			109,674
(Surplus) / deficit on financial assets measured at fair value through other comprehensive income	39			473			(606)
Remeasurement of the net defined benefit liability	23			7,176			(413,434)
Other Comprehensive Income and Expenditure				(65,594)			(304,366)
Total Comprehensive Income and Expenditure				106,695			(288,765)

The accompanying notes form an integral part of financial statement.

MOVEMENT IN RESERVES STATEMENT

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

MOVEMENT IN RESERVES 2023/24

	General Fund Balances											
	General Fund Balance	Earmarked General Fund Reserves	Schools Balances Reserves	Dedicated Schools Grant Reserves	Total General Fund (GF) Balance	Housing Revenue Account (HRA) Balance	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 23)	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2022	(22,445)	(208,240)	(14,391)	-	(245,076)	(26,130)	-	(100,419)	-	(371,625)	(4,052,605)	(4,424,230)
Movement in reserves during 2022/23												
Surplus/(deficit) on the provision of services	74,975	-	-	-	74,975	(59,374)	-	-	-	15,601	-	15,601
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	(304,366)	(304,366)
Total Comprehensive Income and Expenditure	74,975	-	-	-	74,975	(59,374)	-	-	-	15,601	(304,366)	(288,765)
Adjustments between accounting basis & funding basis under regulations (Note 11)	(85,684)	-	-	-	(85,684)	66,046	-	(307)	-	(19,945)	19,945	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(10,709)	-	-	-	(10,709)	6,672	-	(307)	-	(4,344)	(284,421)	(288,765)
Transfers (to)/from earmarked reserves	10,711	(4,250)	723	(7,184)	-	-	-	-	-	-	-	-
Increase/(Decrease) in Year	2	(4,250)	723	(7,184)	(10,709)	6,672	-	(307)	-	(4,344)	(284,421)	(288,765)
Balance as at 31 March 2023	(22,443)	(212,490)	(13,668)	(7,184)	(255,785)	(19,458)	-	(100,726)	-	(375,969)	(4,337,026)	(4,712,995)
Balance as at 1 April 2023	(22,443)	(212,490)	(13,668)	(7,184)	(255,785)	(19,458)	-	(100,726)	-	(375,969)	(4,337,026)	(4,712,995)
Movement in reserves during 2023/24												
Surplus/(deficit) on the provision of services	112,524	-	-	-	112,524	59,765	-	-	-	172,289	-	172,289
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	(65,594)	(65,594)
Total Comprehensive Income and Expenditure	112,524	-	-	-	112,524	59,765	-	-	-	172,289	(65,594)	106,695
Adjustments between accounting basis & funding basis under regulations (Note 11)	(151,970)	-	-	-	(151,970)	(57,228)	-	(1,780)	(19,706)	(230,684)	230,684	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(39,446)	-	-	-	(39,446)	2,537	-	(1,780)	(19,706)	(58,395)	165,090	106,695
Transfers (to)/from earmarked reserves	39,446	(32,302)	(1,391)	(5,753)	-	-	-	-	-	-	-	-
Increase/(Decrease) in Year	-	(32,302)	(1,391)	(5,753)	(39,446)	2,537	-	(1,780)	(19,706)	(58,395)	165,090	106,695
Balance as at 31 March 2024	(22,443)	(244,792)	(15,059)	(12,937)	(295,231)	(16,921)	-	(102,506)	(19,706)	(434,364)	(4,171,936)	(4,606,300)

The accompanying notes form an integral part of financial statement.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

BALANCE SHEET

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

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

	Notes	31 March 2024 £000	31 March 2023 £000
			<i>*Restated</i>
Property, plant and equipment	13	5,621,077	5,539,221
Heritage assets		1,223	1,223
Investment property	14	290,176	313,232
Long-term investments	39	11,304	13,822
Long-term debtors	17	30,887	27,496
Pension assets	38	62	138
Long Term Assets		5,954,729	5,895,132
Short-term investments	39	17,201	95,310
Inventories	15b	12,004	520
Short-term debtors	17	171,207	154,913
Assets held for sale	15a	18,972	16,617
Cash and cash equivalents	16	38,497	110,888
Current Assets		257,881	378,248
Short-term borrowing	39	(129,544)	(103,138)
Short-term creditors	18	(244,959)	(247,380)
Short-term provisions	19	(5,924)	(510)
Grants receipts in advance	21	(174,007)	(207,812)
Bank overdraft	16	(3,967)	(6,225)
Current Liabilities		(558,401)	(565,065)
Long-term creditors	18	(6,175)	(6,703)
Long-term provisions	19	(8,964)	(22,470)
Long-term borrowing	39	(966,894)	(894,821)
Other long-term liabilities	36	(65,876)	(71,326)
Long Term Liabilities		(1,047,909)	(995,320)
Net Assets		4,606,300	4,712,995
Usable reserves	12	(434,364)	(375,969)
Unusable reserves	23	(4,171,936)	(4,337,026)
Total Reserves		(4,606,300)	(4,712,995)

*2022/23 has been restated, please refer to note 16 cash and cash equivalents.

The accompanying notes form an integral part of financial statement.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

CASH FLOW STATEMENT

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

	Notes	2023/24 £000		2022/23 £000 <i>*Restated</i>
Net surplus or (deficit) on the provision of services		(172,289)		(15,601)
Adjustment to surplus or (deficit) on the provision of services for non cash movements	24	379,073		288,343
Adjust for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	24	(141,708)		(182,259)
Net cash flows from operating activities		65,076		90,483
Net cash flows from investing activities	25	(226,216)	*	(122,199)
Net cash flows from financing activities	26	91,007		88,927
Net increase or (decrease) in cash and cash equivalents		(70,133)		57,211
Cash and cash equivalents at the beginning of the reporting period	16	104,663		47,452
Cash and cash equivalents at the end of the reporting period		34,530	*	104,663

*2022/23 has been restated, please refer to note 16 cash and cash equivalents.

The accompanying notes form an integral part of financial statement.



DISCLOSURE NOTES TO THE ACCOUNTS 2023/24

Note 1. EXPENDITURE AND FUNDING ANALYSIS

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

Expenditure and Funding Analysis	2023/24					2022/23				
	As reported for resource management (Narrative report)	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances	Net expenditure chargeable to the General Fund and HRA balances	Adjustments between funding and accounting basis (Note 7)	Net expenditure in the Comprehensive Income and Expenditure Statement	As reported for resource management (Narrative report)	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances	Net expenditure chargeable to the General Fund and HRA balances	Adjustments between funding and accounting basis (Note 7)	Net expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Children and Adults (including dedicated schools grant)	175,239	(28,453)	146,786	2,185	148,971	168,527	(21,883)	146,644	28,088	174,732
Environment Neighbourhoods and Growth	106,699	(23,936)	82,763	(8,893)	73,870	91,484	(16,551)	74,933	22,554	97,487
Finance	14,183	(29,587)	(15,404)	162,854	147,450	23,777	(17,150)	6,627	37,236	43,863
Governance and Assurance	25,394	(411)	24,983	(309)	24,674	24,809	(141)	24,668	33,023	57,691
Strategy and Communities	8,336	349	8,685	(87)	8,598	5,792	(1,163)	4,629	534	5,163
Housing GF	29,351	(9,708)	19,643	1,953	21,596	21,270	(11,050)	10,220	2,990	13,210
Housing Revenue Account (HRA)	-	2,537	2,537	120,683	123,220	-	6,672	6,672	46,013	52,685
Support cost reallocations	(43,370)	43,370	-	-	-	(42,423)	42,423	-	-	-
Net cost of services	315,832	(45,839)	269,993	278,386	548,379	293,236	(18,843)	274,393	170,438	444,831
Other income and expenditure	(315,832)	8,930	(306,902)	(69,188)	(376,090)	(293,235)	14,805	(278,430)	(150,800)	(429,230)
(Surplus)/Deficit	-	(36,909)	(36,909)	209,198	172,289	1	(4,038)	(4,037)	19,638	15,601
Opening General Fund and HRA Balance at 1 April			(275,243)					(271,206)		
(Surplus)/Deficit on General Fund and HRA Balance in year			(36,909)					(4,037)		
Closing General Fund HRA Balance at 31 March			(312,152)					(275,243)		

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

2. ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

Highways Network Infrastructure Assets

2.1.1 Highways Network Infrastructure Assets

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

2.1.2 Recognition

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

2.1.3 Measurement

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

2.1.4 Depreciation

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

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

2.1.5 Disposals and Derecognitions

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

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

2.1.6 Charges to revenue for non-current assets

Services, support services and trading accounts are charged an accounting estimate of the cost of holding non-current assets during the year. This comprises:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by the contribution in the General Fund balance, by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

2.1.7 Council tax and non-domestic rates

As a billing authority the council act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the GLA and central government and, as principals, collecting council tax and NDR for itself. The council is required by statute to maintain a separate fund (the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, the council, GLA and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

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STATEMENT OF ACCOUNTS 2023/24

Accounting for council tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

2.2 Adjustments between accounting basis and funding basis

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

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

The material adjustments are:

Category	Accounting basis in CIES	Funding basis in MiRS	Adjustment account
Property, plant and equipment	Depreciation and revaluation/ impairment losses	Revenue provision to cover historical cost determined in accordance with 2003 regulations	Capital adjustment account
Intangible assets	Amortisation and impairment		
Investment properties	Movement in fair value		
Revenue expenditure funded from capital under statute	Expenditure incurred in year		
Capital grants and contributions	Grants that became unconditional in year or were received in year without conditions	No credit	Capital grants unapplied reserve (unapplied at 31 March) Capital adjustment account (other amounts)

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STATEMENT OF ACCOUNTS 2023/24

Category	Accounting basis in CIES	Funding basis in MiRS	Adjustment account
Non-current asset disposals	Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal)	No charge or credit	Capital adjustment account (carrying amount) Capital receipts reserve (sale proceed and cost of disposal) Deferred capital receipts reserve (sale proceeds not yet received)
Financial instruments	Premiums payable and discounts receivable on early repayment of borrowing in 2023/24 Losses on soft loans and interest receivable on an amortised cost basis Movements in the fair value of money market fund investments	Deferred debits/credits of premiums/discounts from earlier years Interest due to be received on soft loans in year Historical cost gains/losses for money market fund investments disposed of in year	Financial instruments adjustment account
Pension costs	Movements in pensions assets and liabilities	Employers pension contributions payable and direct payments made by the council to pensioners	Pensions reserve
Council tax	Accrued income from 2023/24 bills	Demand on the Collection Fund for 2023/24 plus share of estimated surplus/deficit for 2022/23	Collection Fund adjustment account
Business rates	Accrued income from 2023/24 bills	Budgeted income receivable from the Collection Fund for 2023/24 plus share of estimated surplus/deficit 2022/23	Collection Fund adjustment account
Holiday pay	Projected cost of untaken leave entitlements at 31 March 2024	No charge	Accumulated absence adjustment account
Dedicated schools grant (DSG)	Expenditure incurred in 2023/24 to be met from dedicated schools grant	Expenditure incurred up to the amount of the grant receivable for 2023/24	Dedicated schools grant adjustment account

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2.3 Accruals of income and expenditure

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

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

2.4 Business improvement districts

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

2.5 Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

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Termination benefits

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

Post employment benefits

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

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

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

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

Employment benefits - the Local Government Pension Scheme

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

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

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

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

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

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

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Discretionary benefits

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

2.6 Financial instruments

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

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund balance to be spread over future years. The council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund balance is managed by a transfer to or from the financial instrument adjustment account in the Movement in Reserves Statement.

Financial liabilities

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

Financial assets

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

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

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

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

2.7 Government grants and contributions

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

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

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as grants received in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

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2.8 Investment property

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

2.9 Leases

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

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

The council as lessee - finance leases

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

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

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

The council as lessee - operating leases

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

The council as lessor - operating leases

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

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2.10 Overheads and support services

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

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

2.11 Private finance initiative (PFI) and similar contracts

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

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

2.12 Property, plant and equipment (PPE)

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

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

Useful lives are assessed on the following bases:

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

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

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

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

Sites under development

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

Disposals and assets held for sale

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

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

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

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

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2.13 Provisions, contingent liabilities and contingent assets

Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

2.14 Reserves

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

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

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

2.15 Schools

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

2.16 Value added tax (VAT)

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

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

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

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

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

2.18 Accounting for schools non-current assets

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

	Number of schools	Value of land and buildings recognised £000
Community schools, nursery schools and special schools	42	587,620
Voluntary aided faith schools and foundation schools	24	-

2.19 Inventories

Inventories (Stock) are measured at the lower of cost and net realisable value and the cost of inventories is assigned using the first in first out (FIFO) method. Property constructed for sale in the ordinary course of business is accounted for as inventory property. The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. When inventory property is sold, its carrying amount is recognised as an expense in the period in which the related revenue is recognised.

2.20 Fair value measurement of non-financial assets

The council's accounting policy for fair value measurement of financial assets is set out in note 43. The authority also measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date, as mentioned above (under 2.1).

2.21 Shared Ownership Properties

The cost of unsold shared ownership properties and those under construction is split according to the proportion of the property that will be sold. The proportion to be sold is included in inventories and the proportion to be retained is included in fixed assets. Gross sale proceeds and associated costs of sale are reflected in the Comprehensive Income and Expenditure Statement of the period in which the disposal occurs. The retained element of HRA shared ownership properties is stated at Social Housing Existing Use Value similar to other HRA properties.

2.22 Minimum Revenue Provision

For both supported borrowing and prudential borrowing the Council uses the asset life method and an annuity approach to calculate repayments for purposes of making Minimum Revenue Provision (MRP) against its Capital Financing Requirement each year.

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.

Further details on MRP policy are available in the Council's Annual Treasury Strategy Statement.

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3. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

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

IFRS 16 Leases	These provisions would not be mandatory until 2024/25. The council is not planning to implement IFRS16 until this becomes mandatory. The main impact of IFRS16 will relate to property that the council holds under operating leases, for which assets and liabilities are not recognised and rents are generally charged as revenue expenditure when they are payable. Under IFRS16, the accounting treatment for all leases (except those with a term of less than 12 months and those involving low value items) will be to recognise a right-of-use asset in the Balance Sheet, measuring the value of the council's right to use the property over the remaining term of the lease. The Balance Sheet will also include a liability for the rents payable before the lease expires. When rents are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset will be reflected in depreciation charges in the Comprehensive Income and Expenditure Statement. However, statutory arrangements are in place that will allow the impact on the General Fund Balance to be unchanged – i.e. that the overall charge for each year will be the rents payable in that year.

There are no changes in accounting requirements for 2024/25 that are anticipated to have a material impact on the council's financial performance or financial position.

The council is reviewing the effect of IFRS 16 on the 2024-25 statement of accounts and it is currently inconclusive whether the standard will have a material impact.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

4.1 Accounting for schools' non-current assets

An accounting judgement has been made for each of the council's maintained schools as to whether their non-current assets - land and buildings - should be included on the council's own balance sheet. The council has assessed the legal framework for the different types of schools and has determined the following. The council recognises the assets of community, nursery and special schools because the rights and obligations associated with them rest with the council. However, most foundation and voluntary aided schools in the borough are not controlled by the council so their assets are not recognised on the council's balance sheet. The exception is Charles Dickens primary (a foundation school) whose assets are owned and controlled by the council.

St Michael's, St Thomas, and Sacred Heart are voluntary aided secondary schools. St Michael's became operational in January 2011, St Thomas in February 2012, and Sacred Heart in September 2014. The schools have been built and operated under PFI arrangements under 25 year contracts with 4 Futures Ltd.

The assets of voluntary aided secondary schools are deemed not to be assets of the council. Even though the council has the obligation to make payments under PFI arrangements to 4 Futures Ltd for operating the schools and reimbursement of the capital expense incurred, the council does not have an interest in the assets. Further details of the financial arrangements for the schools PFI contracts, and the obligations outstanding, can be found in note 35.

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STATEMENT OF ACCOUNTS 2023/24

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

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

The items in the council's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

5.1 Valuation of property, plant and equipment (PPE)

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

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

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

5.2 Valuation of HRA Dwellings (part of PPE)

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

5.3 Defined benefit pension liability

The council recognises its outstanding liabilities to meet future pensions costs, and accounts for those liabilities in accordance with IAS 19. At 31 March 2024 the outstanding net pensions liability was assessed at £0m (£0m at 31 March 2023). For two of the pension funds the council contributes to, its own and that of the London Pension Fund Authority, the council's outstanding liability is assessed by consulting actuaries to each fund.

Estimation by the actuaries of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The effects on the net pension's liability of changes in individual assumptions can be measured. The estimates, assumptions and sensitivity of changes in assumptions are provided in note 38.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts were authorised for issue by the Strategic Director of Finance on Date TBC - 22 January 2025. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

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

Adjustments from General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts	2023/24				2022/23			
	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000	£000	£000	£000
Children and Adults	11,274	(1,541)	(7,548)	2,185	18,840	19,759	(10,511)	28,088
Environment Neighbourhoods and Growth	18,680	(1,600)	(25,973)	(8,893)	26,871	11,569	(15,886)	22,554
Finance	87,007	(825)	76,672	162,854	(12,161)	(6,298)	55,695	37,236
Governance and Assurance	3,750	(312)	(3,747)	(309)	34,362	1,795	(3,134)	33,023
Strategy and Communities	-	(87)	-	(87)	-	551	(17)	534
Housing GF	2,239	(172)	(114)	1,953	1,708	941	341	2,990
Housing Revenue Account (HRA)	139,588	(1,286)	(17,619)	120,683	58,836	7,027	(19,850)	46,013
Net cost of services	262,538	(5,823)	21,671	278,386	128,456	35,344	6,638	170,438
Other income and expenditure from the funding analysis	(46,841)	(1,277)	(21,070)	(69,188)	(120,453)	9,411	(39,758)	(150,800)
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	215,697	(7,100)	601	209,198	8,003	44,755	(33,120)	19,638

Adjustments for Capital purposes

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

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

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

Net change for the pensions adjustments

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

Other differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. For net cost of services other differences, this represents removal of the annual leave accrual adjustment, dedicated schools grant deficit adjustment, finance costs, premiums and financial instruments adjustments. For financing and investment income and expenditure the other differences column recognises adjustments to General Fund for the timing differences for premiums and discounts and financial instruments. The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the CIPFA Code of Accounting Practice for Local Authorities 2023/24. This is a timing difference as any difference will be brought forward in future surpluses or deficits in the Collection Fund.

An analysis of the nature of Income and Expenditure:

	2023/24	2022/23
	£000	£000
Expenditure		
Employee expenses	419,473	438,328
Other services expenses	832,600	749,104
Depreciation, amortisation and impairment	324,602	208,547
Interest payments	45,400	50,033
Precepts and levies	2,059	2,030
Losses on disposal of assets	27,062	27,822
Subtotal	1,651,196	1,475,864
Income		
Fees, charges and other service income	(490,611)	(423,652)
Interest and investment income	37,014	1,164
Income from council tax and business rates (NDR)	(229,318)	(215,038)
Government grants and contributions	(765,612)	(785,608)
Gains on disposal of assets	(30,380)	(37,129)
Subtotal	(1,478,907)	(1,460,263)
(Surplus) / deficit on the provision of services	172,289	15,601

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8. OTHER OPERATING INCOME AND EXPENDITURE

	2023/24	2022/23
	£000	£000
Levies	2,059	2,030
(Gain)/loss on the disposal of non-current assets	(3,318)	(9,307)
Total Other Operating Expenditure	(1,259)	(7,277)

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2023/24	2022/23
	£000	£000
Interest payable and similar charges	46,677	40,621
Net interest on the net defined benefit liability	(1,277)	9,412
Interest receivable and similar income	(11,399)	(8,214)
Income, expenditure and changes in the fair value of investment properties	48,413	11,336
Total Financing and Investment Income and Expenditure	82,414	53,155

10. TAXATION AND NON-SPECIFIC GRANT INCOME

	2023/24	2022/23
	£000	£000
Council Tax Income	(134,115)	(130,184)
Non-domestic rates income and expenditure	(95,204)	(84,853)
Un-ringfenced government grants	(113,648)	(114,700)
Capital Grants and contributions	(114,279)	(145,371)
Total Taxation and Non-Specific Grant Income	(457,246)	(475,108)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

General Fund balance

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

Housing Revenue Account balance

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

Major repairs reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS
continued

2023/24	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the capital adjustment account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(44,284)	(46,857)	-	-	-	91,141
Revaluation losses on Property, Plant and Equipment	(90,538)	(142,922)	-	-	-	233,460
Movements in the fair value of Investment Properties	(57,623)	(6,057)	-	-	-	63,680
Capital grants and contributions applied	30,822	63,750	-	-	-	(94,572)
Revenue expenditure funded from capital under statute	(16,936)	(857)	-	-	-	17,793
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(19,702)	(7,360)	-	-	-	27,062
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Provision to reduce the capital financing requirement (minimum revenue provision MRP)	12,615	-	-	-	-	(12,615)
Lease and PFI repayment	7,153	321	-	-	-	(7,474)
Capital expenditure charged against the General Fund and HRA balances	2,612	3,223	-	-	-	(5,835)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	19,706	-	-	-	(19,706)	-
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	82	27,348		(27,430)	-	-
Transfer from deferred debtors to usable capital receipts					-	-
Use of the Capital Receipts Reserve to finance new capital expenditure				25,650	-	(25,650)
Adjustments primarily involving the deferred capital receipts reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	2,950	-	-	-	(2,950)
Adjustments primarily involving the Major Repairs Reserve (MRR):						
MRR credited with an amount equal to the depreciation charged to the HRA		46,857	(46,857)	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure			46,857	-	-	(46,857)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS
continued

2023/24 Continued	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Repayment of premiums	241	824	-	-	-	(1,065)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	740	-	-	-	-	(740)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(31,459)	(8,920)	-	-	-	40,379
Employer's pensions contributions and direct payments to pensioners payable in the year	36,991	10,488	-	-	-	(47,479)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(3,596)	-	-	-	-	3,596
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	1,058	-	-	-	-	(1,058)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	148	(16)	-	-	-	(132)
Total adjustments	(151,970)	(57,228)	-	(1,780)	(19,706)	230,684

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS
continued

2022/23	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the capital adjustment account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(41,261)	(51,708)	-	-	-	92,969
Revaluation losses on Property, Plant and Equipment	(40,232)	(75,347)	-	-	-	115,579
Movements in the fair value of Investment Properties	(25,744)	(1,061)	-	-	-	26,805
Capital grants and contributions applied	27,219	118,151	-	-	-	(145,370)
Revenue expenditure funded from capital under statute	(16,099)	(423)	-	-	-	16,522
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(4,867)	(22,715)	-	-	-	27,582
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Provision to reduce the capital financing requirement (minimum revenue provision MRP)	11,193	-	-	-	-	(11,193)
Lease and PFI repayment	7,084	295	-	-	-	(7,379)
Capital expenditure charged against the General Fund and HRA balances	2,926	15,989	-	-	-	(18,915)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,865	34,024		(36,889)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure				36,582	-	(36,582)
Adjustments primarily involving the Major Repairs Reserve (MRR):						
MRR credited with an amount equal to the depreciation charged to the HRA		51,708	(51,708)	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure			51,708	-	-	(51,708)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS
continued

2022/23 Continued	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Repayment of premiums	241	824	-	-	-	(1,065)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,029)	4,635	-	-	-	(3,606)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(71,690)	(15,094)	-	-	-	86,784
Employer's pensions contributions and direct payments to pensioners payable in the year	35,608	6,421	-	-	-	(42,029)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,326	-	-	-	-	(1,326)
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	25,953	-	-	-	-	(25,953)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	823	347	-	-	-	(1,170)
Total adjustments	(85,684)	66,046	-	(307)	-	19,945

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

12. USABLE RESERVES

Reserves represent the authority's net worth and show its spending power. Usable reserves result from the authority's activities and can be spent in the future. This note sets out the amounts set aside and posted back to Usable Reserves in 2023/24, they include:

- **General Fund Reserve** – to cushion the impact of unexpected events or emergencies
- **Earmarked Reserves** – to provide financing to meet known or predicted future General Fund expenditure plans, and to carryforward revenue grants to meet grant funded revenue projects and commitments
- **School Balances** – amounts set aside for future expenditure in schools
- **HRA Reserves** - amounts specifically required by statute to be set aside and ringfenced for future investment in HRA
- **Capital Reserves** – includes capital receipts and capital grants set aside to finance future capital spending plans

	1 April 2023	Transfer out 2023	Transfer in 2023	31 March 2024	1 April 2022	Transfer out 2022	Transfer in 2022	31 March 2023
	£000	£000	£000	£000	£000	£000	£000	£000
General Fund Reserve	(22,443)	-	-	(22,443)	(22,445)	2	-	(22,443)
Earmarked Reserves:								
Corporate projects and priorities reserves	(39,579)	-	(23,988)	(63,567)	(18,876)	-	(20,703)	(39,579)
Service reviews and improvement reserves	(33,974)	-	(24,364)	(58,338)	(34,554)	580	-	(33,974)
Capital programme and other capital investment reserves	(35,759)	6,005	-	(29,754)	(36,723)	964	-	(35,759)
Strategic financial risk reserves	(59,178)	10,687	-	(48,491)	(65,597)	6,419	-	(59,178)
Technical liabilities and smoothing reserves	(38,910)		(3,385)	(42,295)	(26,618)	-	(12,292)	(38,910)
Covid-19 reserves	(2,473)	2,473	-	-	(25,872)	23,399	-	(2,473)
Revenue grants reserve	(2,617)	270	-	(2,347)	-	-	(2,617)	(2,617)
Total Earmarked Reserves	(212,490)	19,435	(51,737)	(244,792)	(208,240)	31,362	(35,612)	(212,490)
Schools Reserves								
Schools DSG Reserve	(7,184)		(5,753)	(12,937)	-		(7,184)	(7,184)
Schools balances	(13,668)		(1,391)	(15,059)	(14,391)	723	-	(13,668)
Total Schools Reserves	(20,852)	-	(7,144)	(27,996)	(14,391)	723	(7,184)	(20,852)
HRA Reserves								
HRA General Reserve	(19,458)	2,537	-	(16,921)	(26,130)	6,672	-	(19,458)
Major Repairs Reserve	-	46,857	(46,857)	-	-	51,708	(51,708)	-
Total HRA Reserves	(19,458)	49,394	(46,857)	(16,921)	(26,130)	58,380	(51,708)	(19,458)
Capital Reserves								
Capital Receipts Reserve	(100,726)	25,650	(27,430)	(102,506)	(100,419)	36,582	(36,889)	(100,726)
Capital Grants Unapplied Reserve	-	-	(19,706)	(19,706)	-	-	-	-
Total Capital Reserves	(100,726)	25,650	(47,136)	(122,212)	(100,419)	36,582	(36,889)	(100,726)
Total Usable Reserves	(375,969)	94,479	(152,874)	(434,364)	(371,625)	127,049	(131,393)	(375,969)

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

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

2023/24	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	*Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	TOTAL PP&E £000	PFI Assets Included in Property, Plant and Equipment £000
Gross Book Value									
Opening balance	3,430,291	1,062,001	131,011	329,173	18,981	36,770	629,934	5,638,161	91,168
Additions	117,902	29,023	15,693	25,741	216	-	225,003	413,578	2,355
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(157,023)	200,559	-	-	-	(13,044)	-	30,492	-
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(133,727)	(115,872)	-	-	-	(4,400)	-	(253,999)	-
Derecognition – Disposals	(4,049)	(15,505)	-	-	-	(3,332)	-	(22,886)	-
Derecognition – Other	-	-	-	-	-	-	(1,020)	(1,020)	-
Assets reclassified	138,752	36,753	-	-	-	(2,710)	(231,244)	(58,449)	-
Balance as at 31 March 2024	3,392,146	1,196,959	146,704	354,914	19,197	13,284	622,673	5,745,877	93,523
Depreciation and Impairment									
Opening balance	(2)	(10,648)	(87,190)	-	(901)	(3)	(196)	(98,940)	(12,288)
Depreciation charge	(44,594)	(18,480)	(7,544)	(20,485)	-	(38)	-	(91,141)	(2,196)
Depreciation written out on revaluations recognised in the Revaluation Reserve	27,110	17,367	-	-	-	35	-	44,512	(223)
Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services	17,409	3,124	-	-	-	6	-	20,539	-
Derecognition – Disposals	75	155	-	-	-	-	-	230	-
Derecognition – Other	-	-	-	-	-	-	-	-	-
Assets reclassified	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2024	(2)	(8,482)	(94,734)	(20,485)	(901)	-	(196)	(124,800)	(14,707)
Net Book Value at 31 March 2024	3,392,144	1,188,477	51,970	334,429	18,296	13,284	622,477	5,621,077	78,816

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

2022/23	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	*Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	TOTAL PP&E £000	PFI Assets Included in Property, Plant and Equipment £000
Gross Book Value									
Opening balance	3,538,920	1,082,893	115,698	329,983	18,382	42,279	463,354	5,591,509	89,261
Additions	104,961	15,371	15,313	18,767	599	44	220,121	375,176	2,353
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(171,622)	10,248	-	-	-	38	-	(161,336)	(446)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(82,872)	(40,362)	-	-	-	(5,235)	-	(128,469)	-
Derecognition – Disposals	(10,874)	(1,727)	-	-	-	-	(3,575)	(16,176)	-
Derecognition – Other	240	-	-	-	-	-	-	240	-
Assets reclassified	51,538	(4,422)	-	-	-	(356)	(49,966)	(3,206)	-
Balance as at 31 March 2023	3,430,291	1,062,001	131,011	348,750	18,981	36,770	629,934	5,657,738	91,168
Depreciation and Impairment									
Opening balance	(286)	(9,056)	(80,308)	-	(901)	(119)	(196)	(90,866)	(10,359)
Depreciation charge	(50,209)	(16,185)	(6,882)	(19,577)	-	(21)	-	(92,874)	(2,152)
Depreciation written out on revaluations recognised in the Revaluation Reserve	39,855	11,718	-	-	-	89	-	51,662	223
Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services	10,483	2,312	-	-	-	-	-	12,795	-
Derecognition – Disposals	155	238	-	-	-	-	-	393	-
Derecognition – Other	-	-	-	-	-	-	-	-	-
Assets reclassified	-	325	-	-	-	48	-	373	-
Balance as at 31 March 2023	(2)	(10,648)	(87,190)	(19,577)	(901)	(3)	(196)	(118,517)	(12,288)
Net Book Value at 31 March 2023	3,430,289	1,051,353	43,821	329,173	18,080	36,767	629,738	5,539,221	78,880

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

*Infrastructure assets

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

The valuation of assets, as at 31 March 2024, has been carried out by Cluttons LLP, in accordance with the Statement of Asset Valuation Practices and Guidance Notes of the Royal Institute of Chartered Surveyors. High value assets such as schools are valued every year, Other Land and Buildings (OLB) which are not high value and Surplus Assets are valued at 31 March on a 20% rolling basis to ensure valuation of all assets in this category are within five years. Council dwellings are valued every year at their existing use based on 'Beacon' valuation principles and have a social housing adjustment element to reduce the balance sheet value to 25% of the beacon value, as directed by DLHUC. Additionally, a review of assets under construction as well as general impairments to assets are carried out on an annual basis.

Details on the gross book value of PPE assets and the year of valuations are analysed in the table below:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Asset under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Held at historic cost and at depreciated historic cost	51,538	2,809	146,704	354,914	19,197	151	622,673	1,197,986
Different valuations are applied to different valuation classes								
31 March 2024	3,340,608	1,093,981	-	-	-	(10,772)	-	4,423,817
31 March 2023	-	11,684	-	-	-	2,460	-	14,144
31 March 2022	-	24,903	-	-	-	11,143	-	36,046
31 March 2021	-	36,795	-	-	-	2,741	-	39,536
31 March 2020	-	26,787	-	-	-	7,561	-	34,348
Total Cost or Valuation	3,392,146	1,196,959	146,704	354,914	19,197	13,284	622,673	5,745,877

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

At 31 March 2024, the council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2023/24 and future years budgeted to cost £380.1 million. Similar commitments at 31 March 2023 were £423.0 million.

The commitments are as below:

	2023/24	2022/23
	£m	£m
General Fund	29.3	42.1
Housing Revenue Account	350.8	380.9
Total	380.1	423.0

The highest value contractual commitments are:

General Fund

	2023/24	2022/23
	£m	£m
The Charter School East Dulwich	10.3	-
Riverside Primary School	10.8	-
Canada Water Leisure Centre	-	20.2
Elephant and Castle, Transport for London works	-	13.0
Total	21.1	33.2

Housing Revenue Account

	2023/24	2022/23
	£m	£m
Ledbury Towers New Build	175.2	-
Tustin Low Rise Works Phase 1	60.6	90.2
Aylesbury FDS PK B New Build	17.7	62.7
Aylesbury H&S Works 23/24 Phase 2	11.5	-
Albion New Homes-Construction	9.5	-
Kingswood Flat Roof Blocks QHIP	-	22.9
Albion New Homes-Construction	-	19.6
Cator Street 2	-	17.1
Total	274.5	212.5

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

14. INVESTMENT PROPERTIES

The income and expenditure on investment assets was as follows:

	2023/24	2022/23
	£000	£000
Rental income from investment property	(20,920)	(20,589)
Fair value adjustments - (upwards)/downwards revaluation	63,680	26,806
Direct operating expenses arising from investment property	5,653	5,119
Net (gain)/loss included in Financing and Investment Income in CIES	48,413	11,336

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

	2023/24	2022/23
	£000	£000
Balance as at 1 April	313,232	338,164
Additions	1,147	655
Disposals	-	(1,616)
Net gains/(losses) from fair value adjustments	(63,680)	(26,806)
Transfers (to)/from property, plant and equipment (PPE)	39,477	2,835
Balance as at 31 March	290,176	313,232

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

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15a.

ASSETS HELD FOR SALE

	Current		Non-Current	
	2023/24	2022/23	2023/24	2022/23
	£000	£000	£000	£000
Balance at 1 April	16,617	14,531	-	-
Additions	-	12,510	-	-
Transfers (to)/from property, plant and equipment (PPE)	4,703	-	-	-
Revaluation gains/(losses) taken to Surplus or Deficit on the Provision of Services	(2,348)	-	-	-
Assets sold	-	(10,424)	-	-
Balance at 31 March	18,972	16,617	-	-

15b.

INVENTORIES

	2023/24			2022/23		
	Property acquired or constructed for sale	General Stores	Total	Property acquired or constructed for sale	General Stores	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	-	520	520	-	480	480
Purchases	22	-	22	-	40	40
Transfers (to)/from property, plant and equipment (PPE)	14,856	-	14,856	-	-	-
Assets sold or expensed in year	(3,386)	(8)	(3,394)	-	-	-
Balance at 31 March	11,492	512	12,004	-	520	520

The council holds inventories which are made up of 2 types - Property units for sale and General Stores which holds materials for asset management such as public lighting, signs, park, etc and cleaning materials.

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16. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The balance of cash and cash equivalents is made up of the elements set out below. The bank overdraft is a function of the council's utilisation of multiple pooled bank accounts and is integral to the day-to-day cash management of the council. The bank overdraft includes all outstanding and unrepresented items.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

	31 March 2024 £000	31 March 2023 £000
		<i>*Restated</i>
Cash held by the council	3,006	-
Cash equivalents	1,001	30,010
Short-term funds in money markets	34,490	80,878
Subtotal	38,497	110,888
Bank current accounts (bank overdraft)	(3,967)	(6,225)
Total cash and cash equivalents	34,530	104,663

*2022/23 has been restated to reflect changes to cash and cash equivalents; we have restated £30,010k investment balances as cash equivalents per IAS 7 because maturity of these balances were less than 3 months, therefore, cash equivalents has gone up by £30,010k and investments has gone down by £30,010k.

SOUTHWARK COUNCIL
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17. DEBTORS AND EXPECTED CREDIT LOSS

	31 March 2024				31 March 2023			
	GROSS	Impairment	NET	Long-term Debtors	GROSS	Impairment	NET	Long-term Debtors
	Short-term Debtors	Allowance (ECL)	Short-term Debtors		Short-term Debtors	Allowance (ECL)	Short-term Debtors	
	£000	£000	£000	£000	£000	£000	£000	£000
Trade receivables	145,279	(64,753)	80,526	30,887	131,577	(55,791)	75,786	27,496
Central government bodies	39,897	-	39,897	-	34,351	-	34,351	-
Council Tax receivable from taxpayers	44,582	(22,158)	22,424	-	38,289	(20,255)	18,034	-
Housing benefit debtors	18,319	(8,730)	9,589	-	18,694	(9,657)	9,037	-
Non domestic rates receivable from taxpayers	10,526	(6,211)	4,315	-	10,387	(6,247)	4,140	-
Payments in advance	4,654	-	4,654	-	6,220	-	6,220	-
Public bodies	9,802	-	9,802	-	7,345	-	7,345	-
Total	273,059	(101,852)	171,207	30,887	246,863	(91,950)	154,913	27,496

Debtors with central government bodies, council tax, housing benefit, non-domestic rates and payments in advance are included as a non-financial asset under note 39 Financial Instruments (£90.7m), because they do not meet the definition of a financial asset.

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

DEBTORS FOR LOCAL TAXATION

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

Age of debt	31 March 2024			31 March 2023		
	£000	£000	£000	£000	£000	£000
	Council Tax	NNDR	Total	Council Tax	NNDR	Total
Less than 1 year	9,967	3,363	13,330	7,711	2,912	10,623
Between 1 and 2 years	4,883	758	5,641	4,336	1,030	5,366
Between 2 and 3 years	4,132	194	4,326	2,555	198	2,753
More than 3 years	3,442	-	3,442	3,432	-	3,432
Total Council's share	22,424	4,315	26,739	18,034	4,140	22,174

SOUTHWARK COUNCIL
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18. CREDITORS

	31 March 2024		31 March 2023	
	Short-term	Long-term	Short-term	Long-term
	Creditors	Creditors	Creditors	Creditors
	£000	£000	£000	£000
Trade payables	(141,183)	(6,175)	(109,639)	(6,703)
Central government bodies	(17,410)		(38,680)	-
Council Tax refundable to taxpayers	(7,161)		(6,318)	-
Non domestic rates refundable to taxpayers	(13,258)		(11,360)	-
Employee Benefits	(6,810)		(6,942)	-
PFI finance lease liability	(5,450)		(5,118)	-
Public bodies	(21,625)		(24,367)	-
Receipts in advance	(32,062)		(44,956)	-
Total	(244,959)	(6,175)	(247,380)	(6,703)

Creditors with central government bodies, council tax, non-domestic rates and receipts in advance are included as a non-financial liability in note 39 Financial Instruments (£98.3m), because they do not meet the definition of a financial liability.

The reduction in Central government bodies of £19.5m is exclusively due to returning Section 31 grant to DLUHC which represents the difference in what was estimated versus what was due to Southwark in 22-23 (accrued for in 23-24). The only other material change (£12.9m) in creditors was in the Receipts in advance category, mostly due to £9.3m of S106 Employment Fund and S106 SCIL Residential Funds carried forward.

SOUTHWARK COUNCIL
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19. PROVISIONS

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

2023/24	1 April 2023	Increase	Utilised	31 March
	£000	during year £000	during year £000	2024 £000
Long-term provisions				
Insurance provision	(9,031)	-	2,347	(6,684)
Water refund provision	(953)	-	-	(953)
Business rates appeals	(9,406)	-	9,313	(93)
Southwark Business Services employment terms	(759)	-	19	(740)
Public Health	(1,476)	-	1,476	-
Housing & Modernisation provisions	(377)	-	291	(86)
Civil refunds	(356)	-	-	(356)
Other	(112)	-	60	(52)
Total Long-term provisions	(22,470)	-	13,506	(8,964)
Short-term provisions				
Business rates appeals	(510)	(5,414)	-	(5,924)
Total Short-term provisions	(510)	(5,414)	-	(5,924)

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

SOUTHWARK COUNCIL
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20. DEDICATED SCHOOLS GRANT

The council's expenditure on schools is funded primarily by grant provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department for Education to fund academy schools in the council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2013. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2023/24 are as follows:

	Central Expenditure	Individual Schools Budgets	Total	Total
	£000	£000	£000	£000
Final DSG before academy and high needs figure recoupment			(374,449)	(360,251)
Academy and High needs figure recouped			171,560	157,695
Total DSG after academy and high needs figure recoupment			(202,889)	(202,556)
Plus: Brought forward from previous year			(7,184)	-
Less: Carry-forward agreed in advance			7,184	-
Agreed initial budgeted distribution for the year	(75,027)	(127,862)	(202,889)	(202,556)
In year adjustments	(4,422)	-	(4,422)	(9,072)
Final budget distribution for the year	(79,449)	(127,862)	(207,311)	(211,628)
Less: Actual central expenditure	73,696	-	73,696	69,886
Less: Actual ISB deployed to schools	-	127,862	127,862	134,558
Plus: Local authority contribution	-	-	-	-
In-year Carry-forward (Surplus)/Deficit	(5,753)	-	(5,753)	(7,184)
Plus: Carry-forward agreed in advance			(7,184)	-
Carry-forward Deficit			(12,937)	(7,184)
DSG unusable reserve as at 1 April			21,651	21,651
Addition to DSG unusable reserve during the year			-	-
Total of DSG unusable reserve as at 31 March (Note 23)			21,651	21,651
Net DSG position as at 31 March			8,714	14,467

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

The in-year surplus of £5.753m has been transferred to the usable reserve account per accounting regulation, although, the unusable reserve balance total remains at £21.651m. The usable and unusable reserve balances is tabled below:

Per Note 12 Usable Reserve and Note 23 Unusable Reserves	2023/24	2022/23
Dedicated Schools Grant balances	£000	£000
DSG unusable reserve as at 1 April	21,651	21,651
Addition to DSG unusable reserve during the year	-	-
Total of DSG unusable reserve as at 31 March (Note 23)	21,651	21,651
DSG usable reserve as at 1 April	(7,184)	-
Addition to DSG usable reserve during the year	(5,753)	(7,184)
Total of DSG usable reserve as at 31 March (Note 12)	(12,937)	(7,184)
Dedicated Schools Grant net accumulated balance	8,714	14,467

SOUTHWARK COUNCIL
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21. GRANT INCOME

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

	2023/24	2022/23
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Capital grants and contributions	(114,279)	(145,371)
Revenue support grant	(42,175)	(37,776)
Business rates top up	(38,470)	(39,518)
Business rates relief/section 31 grants	(26,645)	(22,948)
New homes bonus	(1,672)	(5,113)
Lower tier support grant	(4,686)	(9,345)
Covid-19 tax income guarantee	-	-
Sub total	(227,927)	(260,071)
Credited to Provision of Services		
Dedicated Schools grant	(205,242)	(209,005)
Housing Benefits Subsidy - rent rebates granted to housing revenue account tenants	(66,120)	(63,482)
Housing Benefits Subsidy - rent allowances	(54,214)	(52,575)
Public Health	(30,466)	(29,504)
Housing Benefits Subsidy - non-housing revenue account rent rebates	(19,552)	(20,825)
Better Care Fund	(20,255)	(19,170)
Improved Better Care Fund	(17,847)	(17,847)
Social Care Support grant	(27,648)	(17,776)
The Private Finance Initiative (PFI)	(9,935)	(9,935)
Pupil Premium grant	(10,059)	(10,336)
Homelessness prevention grant	(7,203)	(6,413)
Market Sustainability Grant	(6,067)	-
Other grants individually less than £5 million	(63,077)	(68,669)
Sub total	(537,685)	(525,537)
Total	(765,612)	(785,608)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

21. GRANT INCOME continued

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

	2023/24	2022/23
	£000	£000
Balance as at 1 April	(207,812)	(121,931)
New capital grants received in advance	(80,474)	(231,252)
Amounts released to the CIES (conditions met)	114,279	145,371
Balance as at 31 March	(174,007)	(207,812)

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

	2023/24	2022/23
	£000	£000
Planning Gains	(98,105)	(108,887)
Schools	(1,144)	(1,821)
Transport for London (TFL)	-	(1,198)
Education	-	(12,538)
New Homes	(68,209)	(73,132)
Disabled facilities grant (DLUHC)	-	(2,279)
Other grants	(6,549)	(7,957)
Balance as at 31 March	(174,007)	(207,812)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

22. POOLED BUDGETS

Better Care Fund (BCF)

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

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

	2023/24		2022/23	
	£000	£000	£000	£000
Funding Provided to the Pooled Budget:				
· Council	(22,183)		(19,533)	
· Integrated Care Board (ICB)	(32,183)		(26,592)	
		(54,366)		(46,125)
Expenditure met from the pooled budget:				
· Council	43,726		38,703	
· Integrated Care Board (ICB)	10,640		7,422	
		54,366		46,125
Net (surplus)/deficit arising on the pooled budget		-		-

Integrated Community Equipment Store (ICES)

Southwark council and the NHS SEL ICB also operate pooled fund arrangements for an integrated community equipment service. The council is the lead authority for the arrangement. Expenditure met from the pooled budget was £3.10m in 2023/24 (£2.41m in 2022/23).

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

23. UNUSABLE RESERVES

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

	2023/24	2022/23
	£000	£000
Capital Adjustment Account	(2,330,819)	(2,555,028)
Revaluation Reserve	(1,887,998)	(1,840,816)
Pensions Reserve	(62)	(138)
Collection Fund Adjustment Account	9,769	7,230
Financial Instruments Adjustment Account	11,427	23,368
Dedicated Schools Grant Adjustment Account	21,651	21,651
Accumulating Absences Adjustment Account	6,810	6,942
Financial Instruments Revaluation Reserve	236	(235)
Deferred Capital Receipts Reserve	(2,950)	-
Total unusable reserves	(4,171,936)	(4,337,026)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

23. UNUSABLE RESERVES continued

Capital Adjustment Account

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

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

	2023/24		2022/23	
	£000	£000	£000	£000
Balance at 1 April		(2,555,028)		(2,522,356)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	91,141		92,969	
Revaluation losses on Property Plant & Equipment and AHFS	233,460		115,579	
Revenue expenditure funded from capital under statute	17,793		16,522	
Movements in the market value of Investment Properties	63,680		26,805	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	27,062		27,582	
		433,136		279,457
Adjusting amounts written out of the revaluation reserve for disposals and restatements	(7,999)		(11,585)	
Adjusting amounts written out of the Revaluation Reserve for the difference between fair value depreciation and historical cost depreciation	(18,061)		(29,397)	
Net written out amount of the cost of non current assets consumed in the year		(26,060)		(40,982)
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	(25,650)		(36,582)	
Use of the Major Repairs Reserve to finance new capital expenditure	(46,857)		(51,708)	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(94,572)		(145,370)	
Provision for the financing of capital investment charged against the General Fund and HRA balances	(20,089)		(18,572)	
Capital expenditure charged against the General Fund and HRA balances	(5,834)		(18,915)	
Adjustment between FIAA and CAA	10,135		-	
		(182,867)		(271,147)
Balance at 31 March		(2,330,819)		(2,555,028)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

23. UNUSABLE RESERVES continued

Revaluation reserve

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

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

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

	2023/24		2022/23	
	£000	£000	£000	£000
Balance at 1 April		(1,840,816)		(1,991,470)
Upward revaluation of assets	(351,841)		(149,891)	
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of Services	278,598		259,565	
Total of surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of Services		(73,243)		109,674
Adjusting amounts written to the Capital Adjustment Account for disposals and restatements		8,000		11,584
Difference between fair value depreciation and historical cost depreciation		18,061		29,396
Balance at 31 March		(1,887,998)		(1,840,816)

Pensions Reserve

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

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

	2023/24	2022/23
	£000	£000
Balance at 1 April	(138)	368,540
<i>IAS19 report balance adjustment</i>	-	2,812
Remeasurements of the net defined benefit liability	7,176	(416,245)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	40,379	86,784
Employer's pension contributions and direct payments payable to pensioners in the year	(47,479)	(42,029)
Balance at 31 March	(62)	(138)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

23. UNUSABLE RESERVES continued

Collection Fund Adjustment Account

	2023/24	2022/23
	£000	£000
Balance at 1 April	7,230	34,509
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	2,538	(27,279)
Balance at 31 March	9,768	7,230

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

Collection Fund Adjustment Account - Council Tax	2023/24	2022/23
	£000	£000
Balance at 1 April	995	2,321
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3,596	(1,326)
Balance at 31 March	4,591	995

Collection Fund Adjustment Account - Business Rates	2023/24	2022/23
	£000	£000
Balance at 1 April	6,235	32,188
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	(1,058)	(25,953)
Balance at 31 March	5,177	6,235

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

23. UNUSABLE RESERVES continued

Financial instruments adjustment account

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

Amongst the transactions on this account are premiums paid on the early redemption of loans; premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out to the Movement in Reserves Statement. Over time the expense is posted back to the Movement in Reserves Statement in accordance with statutory arrangements for spreading the burden on council tax.

	2023/24	2022/23
	£000	£000
Balance at 1 April	23,368	28,039
Adjustment between FIAA and CAA	(10,135)	-
Proportion of premiums to be charged against the General Fund Balance in accordance with statutory requirements	(1,065)	(1,065)
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(740)	(3,606)
Balance at 31 March	11,428	23,368

Dedicated Schools Grant Adjustment Account

	2023/24	2022/23
	£000	£000
Balance at 1 April	21,651	21,651
Transfer of the opening dedicated schools grant deficit from the DSG reserve (earmarked usable reserve) to the DSG adjustment account.	-	-
In year dedicated schools grant deficit	-	-
Balance at 31 March	21,651	21,651

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

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

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

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

23. UNUSABLE RESERVES continued

Accumulating Absences Adjustment Account

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

	2023/24	2022/23
	£000	£000
Balance at 1 April	6,942	8,112
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(132)	(1,170)
Balance at 31 March	6,810	6,942

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

24. CASH FLOW FROM OPERATING ACTIVITIES

	2023/24	2022/23
	£000	£000
Adjustment to surplus or deficit on the provision of services for non cash movement:		
Depreciation and impairment of non-current assets	91,141	92,969
Upward/(downward) revaluations	297,140	142,383
Increase/(decrease) in impairment for credit losses (bad debts)	9,902	6,231
Increase/(decrease) in creditors	(2,619)	(53,846)
(Increase)/decrease in debtors	(29,586)	29,265
(Increase)/decrease in inventories	8	(40)
Movement in pension liability	(7,100)	44,755
Increase/(decrease) in provisions	(8,092)	(1,064)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	27,062	27,582
Other non-cash items charged to the net surplus or deficit on the provision of services	1,217	108
Total	379,073	288,343

	2023/24	2022/23
	£000	£000
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(27,430)	(36,889)
Capital grants included in Taxation and non-specific grant income	(114,278)	(145,370)
Total	(141,708)	(182,259)

The cash flows from operating activities include the following amounts:

	2023/24	2022/23
	£000	£000
Interest received	(11,399)	(8,214)
Interest paid	46,677	40,621
Net interest	35,278	32,407

25. CASH FLOW FROM INVESTING ACTIVITIES

	2023/24	2022/23
	£000	£000
Purchase of PP&E, Investment Property and Intangible Assets	(414,747)	*Restated (388,341)
Purchase of short-term and long-term investments	(86,604)	(268,646)
Proceeds from the sale of Property, Plant and equipment, investment property and intangible assets	27,430	36,889
Proceeds from sale of short-term investments (not considered to be cash equivalents)	167,232	266,648
Capital grants and contributions received	80,473	231,251
Net cash flows from Investing Activities	(226,216)	(122,199)

*2022/23 has been restated to adjust for cash equivalents, please refer to note 16, and in order to present the cash inflows and outflows separately in accordance with IAS 7. Previously the purchase of investments line reported net purchase of £32,008k, which included cash equivalents of £30,010k, and did not separate out purchase and proceeds from sale of investments. This has been corrected now and as a result the purchase line was reduced by £30,010k and then increased by £266,646k to reflect gross purchases, a net change of £236,638k to this line. Proceeds line was added to reflect the cash inflow from sales of investments.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

26. CASH FLOW FROM FINANCING ACTIVITIES

	2023/24	2022/23
	£000	£000
		<i>*Restated</i>
Cash payments for the reduction of the outstanding liability relating to a finance lease and on-balance-sheet PFI contracts	(7,473)	(7,380)
Cash receipts of short and long-term borrowing	191,145	296,607
Repayments of short and long term borrowing	(92,665)	(200,300)
Net Cash flows from Financing Activities	91,007	88,927

*When the disclosure was prepared in 2022/23, £104,258k of cash receipts were incorrectly presented within the line for repayments because the transactions were not correctly identified and categorised. This has now been corrected and as a result previous reported cash receipts line (£192,349k) and repayment line (£96,042k) has both been increased by £104,258k.

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

	Long-term borrowings £000	Short-term borrowings £000	Lease liabilities £000	Total £000
Opening balance as at 1 April 2022	(702,471)	(199,180)	(81,471)	(983,122)
Financing cash flows	(192,349)	96,042	7,380	(88,927)
Non-financing cash flows	-	-	(2,353)	(2,353)
Closing balance as at 31 March 2023	(894,820)	(103,138)	(76,444)	(1,074,402)
Opening balance as at 1 April 2023	(894,820)	(103,138)	(76,444)	(1,074,402)
Financing cash flows:				
Repayment	42,926	49,739	7,473	100,138
Proceeds	(115,000)	(76,145)		(191,145)
Subtotal	(72,074)	(26,406)	7,473	(91,007)
Non-financing cash flows:				
Acquisition			(2,355)	(2,355)
Fair value				-
Reclassification				-
Subtotal	-	-	(2,355)	(2,355)
Closing balance as at 31 March 2024	(966,894)	(129,544)	(71,326)	(1,167,764)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

28. EXTERNAL AUDIT COSTS

	2023/24	2022/23
	£000	£000
Fees payable for external audit services carried out by the appointed auditor for the year (PSAA scale fee)	556	196
Additional fees payable for external audit services carried out by the appointed auditor (per ISA 260 report, subject to PSAA approval)		139
Total external audit fees	556	335
Fees payable to the appointed auditor for the certification of grant claims and returns for the year	62	148
Fees payable in respect of other non-audit services not covered above		10
Total non audit fees	62	158
Total fees payable to external auditor	618	493

29. MEMBERS' ALLOWANCES

The amount of members' allowances and expenses paid in 2023/24 was £1,580,794 (£1,383,827 in 2022/23).

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

30. OFFICERS' REMUNERATION

In accordance with regulation, it is necessary to report on the remuneration of senior employees. Senior employees are defined as those who are members of the Chief Officer Team or whose remuneration is £150,000 or more per year (annualised if part-time).

The following table sets out this information for both 2023/24 and 2022/23.

Post-holder	2023/24			2022/23		
	Remuneration	Compensation for Loss of Office	Contributions to the Pension Fund	Remuneration	Compensation for Loss of Office	Contributions to the Pension Fund
	£	£	£	£	£	£
Chief Executive - A Loderick	230,368	-	47,225	191,046	-	35,152
Chief Executive				60,743		11,177
Strategic Director of Children's and Adults' Services - D Quirke-Thornton	203,301	-	41,677	199,320		36,675
Strategic Director of Finance - C Palfreyman	173,012	-	35,467			
Strategic Director of Finance	29,315	113,435	6,010	199,413		36,692
Strategic Director of Housing	15,378	-	3,152			
Strategic Director of Housing - M Scorer	171,496	30,000	35,157	199,320		36,675
Strategic Director of Environment, Neighbourhoods & Growth	26,677	-	5,469			
Strategic Director of Environment, Neighbourhoods & Growth - C Bruce	206,444	-	42,321	186,840		34,379
Director of Children and Families - A Smith	165,885	-	34,006	158,281		29,124
Director of Public Health	136,574	-	27,998	129,677		23,861
Assistant Chief Executive, Governance & Assurance - D Forrester-Brown	153,914	-	31,552	143,870		26,472
Assistant Chief Executive, Strategy and Communities	142,565	-	29,226	120,718		22,212
Managing Director of Southwark Construction - S Davis	157,619	-	32,312			
Director of Asset Management - D Hodgson	157,619	-	32,312			

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

Remuneration figures represent gross pay for the post-holder before that individual's personal contributions to the Southwark Pension Fund. They include basic salary plus any contracted additions paid during the financial year. Senior officers who worked part-time or part of the year have been included based on annualised pay.

Notes on related 2023/24 figures:

- The previous Chief Executive E Kelly left the council in May 2022, and replaced by A Loderick.
- The Strategic Director of Finance left in May 2023 to be replaced by the Strategic Director of Finance C Palfreyman in the same period.
- The Strategic Director of Housing M Scorer left in September 2023 to be replaced in March 2024.
- The Strategic Director of Environment, Neighbourhoods & Growth C Bruce left in February 2024 and was replaced in the same period.
- The Managing Director of Southwark Construction S Davis and the Director of Asset Management D Hodgson are included in the senior officer note for the first time. Their respective comparatives for 2022/23 were:

Managing Director of Southwark Construction - Remuneration £152,814, Employer Pensions Contribution £31,327
Director of Asset Management - Remuneration £152,814, Employer Pensions Contribution £31,327

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

30. OFFICERS' REMUNERATION continued

During 2023/24 the council employed staff whose taxable remuneration, including payment on termination of employment was £50,000 or more for the year. The numbers of these employees, excluding the senior officers in the table above, is shown below in bands of £5,000:

Number of employees 2022/23			Band (£)	Number of employees 2023/24		
Schools	Non schools	Total		Schools	Non schools	Total
308	147	455	50,000 - 54,999	111	482	593
243	84	327	55,000 - 59,999	172	312	484
54	66	120	60,000 - 64,999	60	77	137
52	39	91	65,000 - 69,999	53	60	113
64	32	96	70,000 - 74,999	33	83	116
8	23	31	75,000 - 79,999	29	17	46
28	12	40	80,000 - 84,999	26	25	51
15	19	34	85,000 - 89,999	15	15	30
12	7	19	90,000 - 94,999	18	14	32
2	11	13	95,000 - 99,999	5	16	21
19	4	23	100,000 - 104,999	6	3	9
1	2	3	105,000 - 109,999	9	10	19
4	1	5	110,000 - 114,999	1	3	4
-	1	1	115,000 - 119,999	1	2	3
-	-	-	120,000 - 124,999	-	2	2
3	1	4	125,000 - 129,999	1	-	1
3	1	4	130,000 - 134,999	-	-	-
1	-	1	135,000 - 139,999	1	3	4
3	-	3	140,000 - 144,999	1	3	4
-	-	-	145,000 - 149,999	-	3	3
2	-	2	150,000 - 154,999	-	-	-
-	-	-	155,000 - 159,999	-	-	-
1	-	1	160,000 - 164,999	-	-	-
823	450	1,273	Total	542	1,130	1,672

For the financial year 2023/24, the total number of non-school employees whose earnings exceeded £100,000 per annum (excluding payments on termination of employments) was 30 (for 2022/23 was 37).

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

31. TERMINATION BENEFITS

Exit package cost band	Number of exit packages		Number of exit packages		Total number of exit packages		Total cost of exit packages by band	
	Schools		Non-schools					
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
	No. staff	No. staff	No. staff	No. staff	No. staff	No. staff	£000	£000
£0 - £20,000	53	21	7	26	60	47	530	249
£20,001 - £40,000	12	1	7	9	19	10	642	276
£40,001 - £60,000	1	1	3	1	4	2	202	96
£60,001 - £80,000	2		3	2	5	2	425	138
£80,001 - £100,000	2		1	1	3	1	321	90
£100,001 - £150,000		-	4	-	4	-	485	-
£150,001 - £200,000		-	4	-	4	-	638	-
£200,001 - £300,000		-	2	-	2	-	469	-
Total	70	23	31	39	101	62	3,712	849

Eight compulsory redundancies were made by schools in 2023/24 totalling £190,822 with 5 within the £0 to £20,000 exit package band, 2 in the £20,001 to £40,000 band and 1 in the £40,001 to £60,000 band (2022-23 five compulsory redundancies totalling £66,045).

Note that in some cases bands have been amalgamated in order to ensure that individual exit packages cannot be recognised by comparing number of packages to the total cost of packages in a band.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

32. RELATED PARTY TRANSACTIONS

The authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority.

Government Organisations and Other Public Bodies

Central government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates and provides the majority of its funding. Grants received from government departments during the year and receipts outstanding at 31 March 2024 are set out in note 21 to the accounts.

Members and chief officers

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2023/24 is shown in note 29. Information regarding reportable transactions has been collated by requiring all members and chief officers to declare any related party transactions. A review of the register of members' interests has been conducted, including the register of declarations at committee meetings.

Related party interests for which transactions exist for financial outflows in 2023/24 were declared by 17 councillors and no submission from chief officers (11 and 0 respectively in 2022/23, restated):

- with voluntary bodies or charitable organisations that received funding totalling an estimated value of £3.3 million (£4.1 million in 2022/23, restated), with no outstanding balances at year end (nil in 2022/23).
- with businesses or other organisations that have contracted for goods and services with the council to the estimated value of £4.6 million (£3.7 million in 2022/23, restated), with no outstanding balances at year end (£0.02m in 2022/23).

Related party interests for which transactions exist for financial inflows in 2023/24 were declared by 8 councillors and no submission from chief officers (7 and 0 respectively in 2022/23):

- from voluntary bodies or charitable organisations that the council have contracted for goods and services to the estimated value of £0.1 million (£0.03 million in 2022/23, restated), with £0.01m outstanding balances at year end (£0.02m in 2022/23).
- from businesses or other organisations that the council have contracted for goods and services to the estimated value of £0.5 million (£0.7 million in 2022/23, restated), with £0.1m outstanding balances at year end (£0.05m in 2022/23).

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

The CIPFA Code requires related party disclosures to be informed by the existence or not of transactions with parties, and for both transactions and year end balances with these parties to be reported. Previously the disclosure of related parties was based on year end balances and not transactions which has been corrected for 23-24. As a result year end vendor and customer balances for both the prior year and current year have been included, and prior year vendor and customer transactions have been restated, also causing the number of declarations from councillors to be restated.

Pensions

The council is the administering authority of the Pension Fund. The council charged the fund £0.8 million (£0.9 million in 2022/23) for expenses incurred in administering the Pension Fund which is included within the Statement of Accounts.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2023/24	2022/23
	£000	£000
Opening Capital Financing Requirement	1,503,065	1,362,956
Adjustment to opening balance*	-	4,678
Revised Opening Capital Financing Requirement	1,503,065	1,367,634
Capital Investment		
Property, Plant & Equipment (including assets held for sale)	413,600	387,686
Revenue expenditure funded from capital under statute (REFCUS)	17,793	16,522
Long-term debtors	-	1,715
Investment property	1,147	655
Total capital investment	432,540	406,578
Sources of capital finance		
Capital receipts	(25,650)	(36,582)
Government grants and other contributions	(94,572)	(145,370)
Direct revenue contributions	(5,834)	(18,915)
Major Repairs Reserve	(46,857)	(51,708)
Minimum revenue provision (MRP) / loans fund principal	(20,089)	(18,572)
Total capital investment financed	(193,002)	(271,147)
Closing Capital Financing Requirement	1,742,603	1,503,065
Explanation of movement		
Increase in underlying need to borrow	237,183	137,756
Assets acquired under private finance initiative (PFI) contracts	2,355	2,353
Net movement in year	239,538	140,109

*The opening CFR balance had to be adjusted slightly to take account of errors and omissions from prior years.

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STATEMENT OF ACCOUNTS 2023/24

34. LEASES

The council as Lessee – operating leases

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

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

	2023/24	2022/23
	£000	£000
Minimum lease payments	2,537	2,267
Less sub-lease payments	(569)	(460)
Total	1,968	1,807

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

	2023/24	2022/23
	£000	£000
Within 1 year	1,570	1,399
Within 2 to 5 years	3,384	1,949
After 5 years	7,440	6,488
Total	12,394	9,836

The council as Lessor – operating leases

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

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

	31/03/2024	31/03/2023
Period due	£000	£000
Within 1 year	16,498	17,420
Within 2 to 5 years	51,310	55,242
After 5 years	62,162	65,887
Total due	129,970	138,549

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

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

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

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

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

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

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

- St Michael's is a new build secondary (academy) school, which became operational in January 2011. The school has been built and is operated over a 25 year contract by 4 Futures Ltd, the majority shareholder of which is Amber Infrastructure Limited.
- St Thomas is a new build secondary (voluntary aided) school, which became operational in February 2012. The school has been built and is operated over a 25 year contract by 4 Futures Ltd, the majority shareholder of which is Amber Infrastructure Limited.
- Sacred Heart Catholic School is a new build secondary (academy) school, which became operational in September 2014. The school has been built and is operated over a 25 year contract by 4 Futures Ltd, the majority shareholder of which is Amber Infrastructure Limited.
- In February 2008 the council entered into a 25-year PFI contract with Veolia Environmental Services for the collection and disposal of waste in the borough. Veolia are to provide high specification facilities to receive transfer and treat waste under the PFI contract from a facility at Old Kent Road, a site the council has leased to the company since September 2008. The integrated waste management facility at the Old Kent Road became operational in February 2012. The £682 million contract has enabled the council to deliver government targets for waste minimisation, landfill diversion and recycling.
- In July 2013 the council entered into the Heat Supply PFI Arrangement with Veolia, which involved the contractor putting in place piping and associated facilities to deliver heating to council residents and related services in order to fulfil the council's mandate of delivering services to the public. The heat supply arrangement became operational in November 2013.

Even though the council has the obligation to make payments under PFI arrangements to 4 Futures Ltd for operating the three above schools and reimbursement of the capital expense incurred, the council does not have an interest in the assets.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS continued

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

	St Michael's Catholic College £000	St Thomas the Apostle College £000	Sacred Heart Catholic School £000	Integrated Waste Management Facility £000	Heating Supply Arrangement £000	Total £000
Opening balance as at 1 April 2022	(12,849)	(16,769)	(16,107)	(31,787)	(3,959)	(81,471)
New liability incurred				(2,252)	(101)	(2,353)
Repayments made in year	243	701	649	5,493	294	7,380
Closing balance as at 31 March 2023	(12,606)	(16,068)	(15,458)	(28,546)	(3,766)	(76,444)
Opening balance as at 1 April 2023	(12,606)	(16,068)	(15,458)	(28,546)	(3,766)	(76,444)
New liability incurred				(2,251)	(104)	(2,355)
Repayments made in year	640	594	453	5,466	320	7,473
Closing balance as at 31 March 2024	(11,966)	(15,474)	(15,005)	(25,331)	(3,550)	(71,326)

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

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Total £000
Net Book Value at 1 April 2022	59,772	14,893	4,237	78,902
Additions		2,252	101	2,353
Depreciation & Impairment	(899)	(1,051)	(202)	(2,152)
Revaluation	(223)	-	-	(223)
Net Book Value at 31 March 2023	58,650	16,094	4,136	78,880
Net Book Value at 1 April 2023	58,650	16,094	4,136	78,880
Additions	-	2,251	104	2,355
Depreciation & Impairment	(933)	(1,056)	(207)	(2,196)
Revaluations	(223)	-	-	(223)
Net Book Value at 31 March 2024	57,494	17,289	4,033	78,816

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS continued

The projected payments under the agreements are as follows:

	1 year	2-5 years	6-10 years	11-15 years	16-20 years	Total
	£000	£000	£000	£000	£000	£000
St Michael's Catholic College						
Liability	(490)	(2,643)	(5,779)	(3,054)	-	(11,966)
Interest	(1,516)	(5,462)	(5,353)	(491)	-	(12,822)
Service Charges	(810)	(3,289)	(5,030)	(1,780)	-	(10,909)
St Thomas the Apostle College						
Liability	(796)	(3,119)	(7,046)	(4,513)		(15,474)
Interest	(1,623)	(5,693)	(4,587)	(726)		(12,629)
Service Charges	(320)	(1,380)	(1,998)	(661)		(4,359)
Lifecycle Payments	(82)	(887)	(1,069)	(622)		(2,660)
Sacred Heart Catholic School						
Liability	(746)	(2,842)	(6,083)	(5,334)		(15,005)
Interest	(1,503)	(5,339)	(4,488)	(1,030)		(12,360)
Service Charges	(514)	(2,217)	(3,173)	(2,685)		(8,589)
Lifecycle Payments	(59)	(682)	(956)	(1,213)		(2,910)
Integrated Waste Management Facility						
Liability	(3,175)	(11,717)	(10,439)	-		(25,331)
Interest	(1,423)	(4,345)	(2,088)	-		(7,856)
Service Charges	(23,156)	(97,881)	(108,860)	-		(229,897)
Lifecycle Payments	(2,252)	(13,662)	(14,152)	-		(30,066)
Heat Supply Arrangement						
Liability	(243)	(1,290)	(2,017)			(3,550)
Interest	(436)	(1,424)	(696)			(2,556)
Service Charges	(1,412)	(6,012)	(6,636)			(14,060)
Lifecycle Payments	(107)	(455)	(503)			(1,065)

36. OTHER LONG-TERM LIABILITIES

	31 March 2024	31 March 2023
	£000	£000
Payments due under PFI schemes and similar arrangements:		
St Michaels Catholic college	(11,476)	(11,966)
St Thomas the Apostle College	(14,678)	(15,474)
Sacred Heart Catholic school	(14,259)	(15,005)
Integrated waste Management Facility	(22,156)	(25,331)
Heat Supply Arrangement	(3,307)	(3,550)
Total	(65,876)	(71,326)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

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

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

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

In 2023/24 the council paid £12.6m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.6% of pensionable pay (£13.1m and 23.6% respectively in 2022/23). In 2023/24 the employer contribution rate was 20.7% of pensionable pay (including levy).

The council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 38.

38. DEFINED BENEFIT PENSION SCHEMES

Participation in the Local Authority Pension Scheme

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

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

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

38. DEFINED BENEFIT PENSION SCHEMES continued

Transactions relating to post employment benefits

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

	2023/24			2022/23		
	Council £000	LPFA £000	Total £000	Council £000	LPFA £000	Total £000
Comprehensive Income and Expenditure Statement						
Cost of services:						
- Current service cost	38,700	153	38,853	76,500	272	76,772
- Past service costs	2,700	103	2,803	600	-	600
Financing and investment income and expenditure:						
- Net interest expense/(income)	(1,200)	(77)	(1,277)	9,800	(388)	9,412
Total post employment benefit charged to the surplus or deficit on the provision of services	40,200	179	40,379	86,900	(116)	86,784
Other comprehensive income and expenditure:						
Remeasurement of the net defined benefit liability comprising						
- IAS19 report balance adjustment			-	(23,435)	(14,848)	(38,283)
- Return on plan assets (excluding amount included in the net interest expense)	(124,400)	(2,734)	(127,134)	147,700	(280)	147,420
- Actuarial gains and losses arising on changes in demographic assumptions	(28,500)	(530)	(29,030)	-	(1,655)	(1,655)
- Actuarial gains and losses arising on changes in financial assumptions	(59,100)	(80)	(59,180)	(885,400)	(14,341)	(899,741)
- Actuarial gains and losses arising on changes in liability experience	18,800	123	18,923	206,700	4,690	211,390
- Other actuarial gains and losses on assets	200,300	3,297	203,597	140,895	26,541	167,436
Total remeasurements in other comprehensive income and expenditure	7,100	76	7,176	(413,540)	107	(413,433)
Total post employment benefit charged to the comprehensive income and expenditure statement	47,300	255	47,555	(326,640)	(9)	(326,649)

	2023/24			2022/23		
	Council £000	LPFA £000	Total £000	Council £000	LPFA £000	Total £000
Movement in reserves statement						
- Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	(40,200)	(179)	(40,379)	(86,900)	116	(86,784)
Actual amount charged against the General Fund Balance for pensions in the year:						
- Employers' contributions payable to the scheme	47,300	179	47,479	41,900	129	42,029
Net adjustment between accounting basis and funding basis under regulations	7,100	-	7,100	(45,000)	245	(44,755)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

38. DEFINED BENEFIT PENSION SCHEMES continued

Pensions assets and liabilities recognised in the balance sheet

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

	2023/24			2022/23		
	Council	LPFA	Total	Council	LPFA	Total
	£000	£000	£000	£000	£000	£000
Fair value of plan assets	2,176,000	70,344	2,246,344	1,972,095	66,884	2,038,979
Less Present value of defined benefit obligation	(1,828,200)	(38,961)	(1,867,161)	(1,831,200)	(40,101)	(1,871,301)
Net surplus/(liability) arising from defined benefit obligation pre asset-ceiling	347,800	31,383	379,183	140,895	26,783	167,678
Less asset ceiling under IFRIC 14 assessment	(347,800)	(31,321)	(379,121)	(140,895)	(26,645)	(167,540)
Net (liability) arising from defined benefit obligation post asset-ceiling	-	62	62	-	138	138

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

	2023/24			2022/23		
	Council	LPFA	Total	Council	LPFA	Total
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	1,972,095	66,884	2,038,979	2,055,660	67,328	2,122,988
<i>IAS19 report balance adjustment</i>	5	-	5	23,435	-	23,435
Interest income on assets	92,500	3,391	95,891	54,900	1,718	56,618
Remeasurement gains/(losses) on assets	124,400	2,734	127,134	(147,700)	280	(147,420)
Other actuarial gains/(losses)	-	-	-	-	104	104
Administration expenses	-	(20)	(20)	-	(20)	(20)
Employer contributions	47,300	179	47,479	41,900	129	42,029
Contribution by participants	15,000	41	15,041	14,100	43	14,143
Contribution by admitted bodies	700	-	700	700	-	700
Net benefits paid out	(76,000)	(2,865)	(78,865)	(70,900)	(2,698)	(73,598)
Closing balance at 31 March	2,176,000	70,344	2,246,344	1,972,095	66,884	2,038,979

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

	2023/24			2022/23		
	Council	LPFA	Total	Council	LPFA	Total
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	(1,831,200)	(40,101)	(1,871,301)	(2,424,200)	(52,480)	(2,476,680)
Current service cost	(38,700)	(133)	(38,833)	(76,500)	(252)	(76,752)
Interest cost	(84,700)	(1,935)	(86,635)	(64,700)	(1,330)	(66,030)
Contribution by admitted bodies	(700)	-	(700)	(700)	-	(700)
Contributions by scheme participants	(15,000)	(41)	(15,041)	(14,100)	(43)	(14,143)
Change in financial assumptions	59,100	80	59,180	885,400	14,341	899,741
Change in demographic assumptions	28,500	530	29,030	-	1,655	1,655
Experience loss/(gain) on defined benefit obligation	(18,800)	(123)	(18,923)	(206,700)	(4,690)	(211,390)
Benefits paid	76,000	2,865	78,865	70,900	2,698	73,598
Past service costs	(2,700)	(103)	(2,803)	(600)	-	(600)
Closing balance at 31 March	(1,828,200)	(38,961)	(1,867,161)	(1,831,200)	(40,101)	(1,871,301)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

38. DEFINED BENEFIT PENSION SCHEMES continued

Scheme assets comprised:

	2023/24			2022/23		
	Council	LPFA	Total	Council	LPFA	Total
	£000	£000	£000	£000	£000	£000
Quoted						
- Equities	1,122,816	42,591	1,165,407	988,672	39,332	1,028,004
- Government bonds	156,672		156,672	142,894	-	142,894
- Corporate bonds	108,800		108,800	177,652	-	177,652
- Target return portfolio	106,624	12,135	118,759	-	12,436	12,436
- Other	8,704		8,704	30,896	-	30,896
Subtotal	1,503,616	54,726	1,558,342	1,340,114	51,768	1,391,882
Unquoted						
- Equities	47,872		47,872	46,344	-	46,344
- Infrastructure	-	8,081	8,081	-	8,463	8,463
- Property	298,112	6,435	304,547	293,512	6,568	300,080
- Cash	69,632	1,102	70,734	75,309	85	75,394
- Other	256,768		256,768	175,721	-	175,721
Subtotal	672,384	15,618	688,002	590,886	15,116	606,002
<i>IAS19 report balance adjustment</i>		-	-	41,095	-	41,095
Total	2,176,000	70,344	2,246,344	1,972,095	66,884	2,038,979

Basis for estimating assets and liabilities

The scheme assets, as shown above, are those attributable to the council from its membership of the Local Government Pension Scheme (LGPS) for both the London borough of Southwark Pension Fund (Council) and the London Pension Fund Authority (LPFA).

The value of the assets and liabilities for the Council and LPFA schemes have been provided by the actuaries; Aon Hewitt and Barnett Waddingham respectively, using roll-forward approach which is a method of approximately calculating the pension scheme assets and liabilities by adjusting the results of the last full actuarial valuation exercise. The last full valuations was for balances as at 31 March 2022.

The assets value from the prior year is adjusted for known and estimated investment returns for the valuation as at 31 March 2024. The Council pension valuation is based on asset values at 31 March 2024 and the LPFA actuary uses market values at 31 January 2024, then indexed for market movements to arrive at a valuation for 31 March 2024.

The liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc.

Principal assumptions used by the actuaries

	Council		LPFA	
	2023/24	2022/23	2023/24	2022/23
Mortality assumptions				
Longevity at 65 for current pensioners				
- Men (years)	21.0	21.6	19.9	20.2
- Women (years)	23.8	24.2	23.2	23.4
Longevity at 45 for future pensioners				
- Men (years)	22.3	22.9	21.4	21.7
- Women (years)	25.2	25.7	24.9	25.2
Principal financial assumptions				
- Rate of inflation CPI	2.6%	2.7%	3.0%	2.9%
- Rate of increase in salaries	4.1%	4.2%	4.0%	3.9%
- Rate of increase in pensions	2.6%	2.7%	3.0%	2.9%
- Rate of pension accounts revaluation	2.6%	2.7%	0.0%	0.0%
- Rate for discounting scheme liabilities	4.8%	4.7%	4.9%	4.8%

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38. DEFINED BENEFIT PENSION SCHEMES continued

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

Assumption	Impact of increase			Impact of decrease		
	Council	LPFA	Total	Council	LPFA	Total
	£000	£000	£000	£000	£000	£000
Present value of total obligation						
Longevity (+/- 1 Year)	1,875,700	41,340	1,917,040	1,782,500	36,733	1,819,233
Rate of increase in salaries (+/- 0.1%)	1,830,000	38,971	1,868,971	1,826,400	38,951	1,865,351
Rate of increase in pensions (+/- 0.1%)	1,855,600	39,338	1,894,938	1,802,600	38,590	1,841,190
Rate for discounting scheme liabilities (+/- 0.1%)	1,800,800	38,587	1,839,387	1,857,500	39,342	1,896,842
Projected service cost						
Longevity (+/- 1 Year)	38,200	143	38,343	35,400	133	35,533
Rate of increase in salaries (+/- 0.1%)	36,800	138	36,938	36,800	138	36,938
Rate of increase in pensions (+/- 0.1%)	38,300	140	38,440	35,300	136	35,436
Rate for discounting scheme liabilities (+/- 0.1%)	35,300	136	35,436	38,300	141	38,441

Impact on the council's cash flows

The objective of the schemes are to achieve a funding level of 100%, with funding levels monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2025. The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total obligation of £1,867m (£1,871m at 31 March 2023) has a substantial impact on the net worth of the council as recorded in the Balance Sheet, resulting in a net asset of £62k (asset of £138k at 31 March 2023). The surplus recognised in the balance sheet was restricted by £347.8m (2022/23 £140.9m) on council's scheme and by £31.3m (2022/23 £26.6m) on LPFA scheme, under paragraph 64 of IAS19 / IFRIC 14 assessment.

As members of the Local Government Pension Scheme, both the council and LPFA schemes have taken account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the act, the Local Government's Pension Scheme may not provide final salary scheme benefits in relation to service after 31 March 2014. The act provides for scheme regulations to be made within common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The anticipated service cost in 2024/25 is £36.80m for the council scheme and £0.14m for the LPFA scheme. The weighted average duration of the defined benefit obligation for the council scheme members is 15.5 years (15.9 years 2022/23) and 10 years for LPFA scheme members (10 years 2022/23).

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

39. FINANCIAL INSTRUMENTS

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

Financial Liabilities

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

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

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

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

	Long Term		Short Term		Total	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	£000	£000	£000	£000	£000	£000
Borrowings						
At amortised cost	(966,894)	(894,821)	(129,544)	(103,138)	(1,096,438)	(997,959)
Cash and Cash Equivalents						
Bank overdraft at amortised cost		-	(3,967)	(6,225)	(3,967)	(6,225)
PFI and Other liabilities						
At amortised cost	(65,876)	(71,326)	(5,450)	(5,118)	(71,326)	(76,444)
Creditors						
At amortised cost	(6,175)	(6,703)	(141,183)	(109,639)	(147,358)	(116,342)
Total Financial Liabilities	(1,038,945)	(972,850)	(280,144)	(224,120)	(1,319,089)	(1,196,970)
Non-Financial Liabilities			(98,326)	(132,623)	(98,326)	(132,623)
Total	(1,038,945)	(972,850)	(378,470)	(356,743)	(1,417,415)	(1,329,593)

The total short-term borrowing includes £53.4m (£33.1m at 31 March 2023) representing accrued interest and principal payments due within 12 months on long-term borrowing.

The creditors lines in the balance sheet include £98.3m (£132.6m at 31 March 2023) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions, please see note 18 Creditors.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

39. FINANCIAL INSTRUMENTS continued

Financial Assets

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

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

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

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

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

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

- money market funds managed by three fund managers.

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

	Long Term		Short Term		Total	
	31 March	31 March	31 March	31 March	31 March	31 March
	2024	2023	2024	2023	2024	2023
	£000	£000	£000	£000	£000	£000
Investments				<i>*Restated</i>		<i>*Restated</i>
At fair value through other comprehensive income	11,304	13,822	16,524	95,047	27,828	108,869
At amortised cost	-	-	677	263	677	263 *
Total Investments	11,304	13,822	17,201	95,310	28,505	109,132
Cash and Cash Equivalents						
At fair value through profit and loss	-	-	38,497	110,888	38,497	110,888 *
Debtors						
Trade receivables at amortised cost	30,887	27,496	80,526	75,786	111,413	103,282
Total Financial Assets	42,191	41,318	136,224	281,984	178,415	323,302
Non-Financial Assets	-	-	90,681	79,127	90,681	79,127
Total	42,191	41,318	226,905	361,111	269,096	402,429

*2022/23 has been restated, please refer to note 16 cash and cash equivalents.

The short-term debtors line on the balance sheet include £90.7m (£79.1m at 31 March 2023 - incorrectly reported as £115.3m in 2022/23) debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions, please see note 17 Debtors.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

39. FINANCIAL INSTRUMENTS continued

Financial Instruments – Gains and Losses

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

	2023/24					2022/23				
	Financial Liabilities at amortised cost	Financial Assets at amortised cost	fair value through other comprehensive income	Financial Assets at fair value through profit or loss	Total	Financial Liabilities at amortised cost	Financial Assets at amortised cost	fair value through other comprehensive income	Financial Assets at fair value through profit or loss	Total
	£000		£000	£000	£000	£000	£000		£000	£000
Interest expense	46,494				46,494	40,327	-		-	40,327
Other charges	183				183	294	-		-	294
Total expenses in surplus or deficit on the provision of services	46,677		-	-	46,677	40,621	-		-	40,621
Interest Income		(4,509)	(2,028)	(4,862)	(11,399)	-	(4,344)	(1,376)	(2,494)	(8,214)
Total income in surplus or deficit on the provision of services	-	(4,509)	(2,028)	(4,862)	(11,399)	-	(4,344)	(1,376)	(2,494)	(8,214)
Surplus/(deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-		473	-	473	-	-	(606)	-	(606)
Net (gain)/loss for the year	46,677	(4,509)	(1,555)	(4,862)	35,751	40,621	(4,344)	(1,982)	(2,494)	31,801

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

40. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

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

The main risks covered are:

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

Credit risk - investments

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

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

The council's exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally, as the risk of any institution failing to make interest repayments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at 31 March 2024 that this was likely to crystallise.

The maximum exposure to credit risk is represented by the sums held in investments. The maturity and ratings of investments held at 31 March 2024 is set out below:

	£000				%			
	A	AA	AAA	Total	A	AA	AAA	Total
	£000	£000	£000	£000	%	%	%	%
Up to 1 year	7,160	5,374	39,897	52,431	11.3%	8.4%	62.6%	82.3%
1 - 2 years	502	1,994	3,206	5,702	0.8%	3.1%	5.0%	8.9%
2 - 5 years	1,974	3,429	460	5,863	3.1%	5.4%	0.3%	8.8%
Total investments	9,636	10,797	43,563	63,996	15.2%	16.9%	67.9%	100.0%

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

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

Credit risk - receivables

Trade receivables arise from the provision of goods and services and the carrying out of the council's functions. The credit quality of debtors is reflected in the level of the impairment allowance (expected credit loss) for trade debtors shown in note 17.

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

The council analyses its debts outstanding to determine the level of expected credit loss (impairment allowance) to provide. For example reviewing the age profile of debt, collection rate, stages of the debt such as those summoned to court and other characteristics such as current and former tenants for social housing tenant, then applying an appropriate rate of provision for that type, age and characteristic of the debt.

Liquidity risk

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

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

The maturity analysis of principal sums borrowed is as follows:

	2023/24	2022/23
	£000	£000
Less than 1 year	(118,409)	(85,565)
Between 1 and 5 years	(130,653)	(122,736)
Between 5 and 10 years	(157,253)	(101,853)
Between 10 and 20 years	(79,218)	(75,354)
Over 20 years	(599,770)	(605,361)
Total	(1,085,303)	(990,869)

Market risk

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

Outstanding long-term council debt at 31 March 2024 is primarily from the PWLB with short-term borrowing from other local authorities. The debt is at fixed rates, with an average maturity of 19.4 years (23.0 years at 31 March 2023). The maturity profile of the debt is shown in the table above. The council may draw further loans from the PWLB if needed. A 1% rise in discount rates at Balance Sheet date would lower the fair value by £85m. As the debt is held at amortised cost there would be no impact on the Comprehensive Income and Expenditure Statement from such a change, unless the debt was extinguished. Legislation would then require a charge to be taken to the financial instruments adjustment account.

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

The overall weighted average life of council's investments is 1.05 years. Within that, the weighted average life of investments measured at fair value through other comprehensive income is 1.11 years. A 1% change in discount rates on these investments would change the fair value by £0.8m and would be reflected in other comprehensive income or the surplus or deficit on the provision of services as appropriate.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

41. FAIR VALUE - ASSETS AND LIABILITIES

Fair value - basis of valuation

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

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

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

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

41. FAIR VALUE - ASSETS AND LIABILITIES continued

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

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

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

Level 3 inputs – Fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

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

	Fair value level	31 March 2024		31 March 2023	
		Balance Sheet	Fair value	Balance Sheet	Fair value
		£000	£000	£000	£000
Financial liabilities held at amortised cost:					
Long term loans from PWLB	2	(1,014,463)	(826,882)	(914,689)	(720,088)
Other long-term loans	2	(5,841)	(3,864)	(6,179)	(3,969)
Private finance initiative liabilities	2	(71,326)	(92,127)	(76,444)	(97,383)
Subtotal		(1,091,630)	(922,873)	(997,312)	(821,440)
Liabilities for which fair value is not disclosed		(325,785)		(332,281)	
Total financial liabilities		(1,417,415)		(1,329,593)	
Recorded on balance sheet as:					
Short-term creditors		(239,509)		(242,262)	
Short-term borrowing		(129,544)		(103,138)	
Short-term PFI liabilities		(5,450)		(5,118)	
Bank overdraft		(3,967)		(6,225)	
Long-term creditors		(6,175)		(6,703)	
Long-term borrowing		(966,894)		(894,821)	
Other long-term liabilities		(65,876)		(71,326)	
Total financial liabilities		(1,417,415)		(1,329,593)	

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

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

41. FAIR VALUE - ASSETS AND LIABILITIES continued

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

	Fair value level	31 March 2024		31 March 2023	
		Balance Sheet	Fair value	Balance Sheet	Fair value
		£000	£000	£000	£000
Financial assets held at fair value:				<i>*Restated</i>	
Money market funds	1	38,497	38,497	110,888	110,888
Corporate, covered and government bonds	1	28,505	28,505	109,132	109,132
Subtotal		67,002	67,002	220,020	220,020
Assets for which fair value is not disclosed		202,094		182,409	*
Total financial assets		269,096		402,429	
Recorded on balance sheet as:					
Short-term debtors		171,207		154,913	
Short-term investments		17,201		95,310	**
Long-term debtors		30,887		27,496	*
Long-term investments		11,304		13,822	
Cash and cash equivalents		38,497		110,888	**
Total financial assets		269,096		402,429	

* The comparative balance has been restated to include all financial assets within this note; whilst the prior year balance sheet was correct, the note did not include £27,358k of long-term debtors. Previous reported line for 'Assets for which fair value is not disclosed' and 'long-term debtors' was £155,051k and £138k respectively.

** 2022/23 has been restated, please refer to note 16 cash and cash equivalents.

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

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

42. CONTINGENT LIABILITIES

A contingent liability is recognised when there is uncertainty about an obligation arising from a past event which might have otherwise supported a creditor or provision being recognised on the balance sheet. The existence of the obligation will only be confirmed by the occurrence or non-occurrence of future events that might not be within the council's control. Alternatively there might be uncertainty about the timing or amount of outflow of resources connected to the obligation which means it cannot be recognised as a creditor or provision in the accounts. In either case a contingent liability is disclosed in a note to the accounts.

i) As a result of ongoing reviews and investigations the council anticipates that it might have to pay significant sums in order to fulfil its duties in relation to building safety. Said reviews and investigations concern building safety across several sites in the borough including Devon Mansions, Canada Estate, and Kingswood as detailed in published documents from Southwark's Overview and Scrutiny Committee. The timing and amount of these amounts is uncertain and therefore a contingent liability is being disclosed.

43. CONTINGENT ASSETS

A contingent asset arises from past events that will give rise to economic inflow. The existence of the asset will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the council. Given this uncertainty an asset is not recognised on the balance sheet but is disclosed in a note to the accounts.

i) The council has contractual agreements with developers for overage whereby a proportion of profits made on certain projects above an agreed threshold will be paid to the council. In connection with two sites within the Aylesbury Estate development and a site within the Queens Road development the council considers that there is a good prospect that it could receive substantial amounts as part of these overage arrangements, depending on future events, for which a rough estimate can be made. In connection with sites within the Canada Water, Nunhead Green, and Penrose Street developments the council considers that there is a fair prospect that it could receive overage but it cannot currently make any estimate of amounts.

ii) The council has several other agreements relating to housing and other projects in the borough, including development agreements, shared profit, and shared equity agreements. The council could be in line to receive significant sums depending on various uncertain future events.

iii) The council is currently in negotiations with a former major contractor of its leisure services and anticipates that a sum could be due to the authority at the conclusion of negotiations. While the amount can be estimated the transaction will only occur as a result of various uncertain future events which are not wholly within the council's control.



SUPPLEMENTARY FINANCIAL STATEMENTS 2023/24

Housing Revenue Accounts

Collection Fund Account

Pension Fund Account



HOUSING REVENUE ACCOUNT 2023/24

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT

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

		2023/24	2022/23
	Note	£000	£000
Income			
Dwelling Rents		(222,356)	(207,652)
Non-dwelling rents		(6,682)	(6,233)
Charges for services and facilities		(76,727)	(68,981)
Contributions towards expenditure		(1,627)	(2,512)
Total Income		(307,392)	(285,378)
Expenditure			
Repairs and maintenance		75,931	62,429
Supervision and management		145,591	135,352
Rents, rates, taxes and other charges		13,640	9,375
Depreciation, impairment and revaluation losses of non-current assets	3	189,779	127,054
Debt management costs		356	323
Increase in provisions for bad debts		3,352	2,001
Revenue expenditure funded from capital under statute	4	857	423
Total expenditure		429,506	336,957
Net cost of HRA Services included in the Comprehensive Income and Expenditure Statement		122,114	51,579
HRA share of Corporate and Democratic Core		1,106	1,106
Net Cost of HRA Services		123,220	52,685
Gains and losses on the sales of HRA non-current assets		(22,938)	(11,309)
Interest payable and similar charges		33,440	27,538
Interest and investment income		(9,365)	(6,720)
Income, expenditure and changes in the fair value of investment properties	14	(560)	(5,064)
Pensions interest cost and expected return on pensions assets		(282)	1,647
Capital grants and contributions receivable		(63,750)	(118,151)
Total (surplus)/deficit for the year		59,765	(59,374)

The accompanying notes form an integral part of financial statement.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

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

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

	Note	2023/24	2022/23
		£000	£000
(Surplus)/deficit for the year on HRA services		59,765	(59,374)
Adjustments between accounting basis and funding basis under regulations	5	(57,228)	66,046
(Increase)/decrease in the HRA Balance		2,537	6,672
HRA Balance brought forward		(19,458)	(26,130)
Balance carried forward	6	(16,921)	(19,458)

The accompanying notes form an integral part of financial statement.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

NOTES TO THE HOUSING REVENUE ACCOUNT STATEMENTS

1. THE HOUSING REVENUE ACCOUNT (HRA)

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

2. ANALYSIS OF HOUSING STOCK BY TYPE OF DWELLING

Type of Dwelling		Number of bedrooms				Total	Total
		1	2	3+	Other	31 March 2024	31 March 2023
Houses and bungalows	31 March 2024	362	721	2,889	-	3,972	
	31 March 2023	367	719	2,884	-		3,970
Low rise flats	31 March 2024	2,728	614	383	-	3,725	
	31 March 2023	2,753	618	374	-		3,745
Medium rise flats	31 March 2024	6,600	7,187	6,181	-	19,968	
	31 March 2023	6,604	7,148	6,168	-		19,920
High rise flats	31 March 2024	2,713	4,540	1,751	-	9,004	
	31 March 2023	2,715	4,709	1,727	-		9,151
Non-permanent	31 March 2024	-	-	-	-	-	
	31 March 2023	-	-	-	-		-
Multi-occupied	31 March 2024	-	-	-	96	96	
	31 March 2023	-	-	-	96		96
TOTALS	31 March 2024	12,403	13,062	11,204	96	36,765	
TOTALS	31 March 2023	12,439	13,194	11,153	96		36,882

In addition to the numbers shown in the table above, as at 31 March 2024 there were also 1,043 void properties (881 at 31 March 2023). These are mostly decanted properties within the major redevelopment projects currently underway; but whilst having been made secure, they have not yet been demolished.

The vacant possession value of buildings as at 31 March 2024 was £13.2bn (£14.0bn as at 31 March 2023). The difference between the vacant possession value and Balance Sheet value of dwellings within the HRA shows the economic cost to the government of providing council housing at less than market rents.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

3. DEPRECIATION AND REVALUATION CHARGES

	2023/24	2022/23
	£000	£000
Dwellings depreciation	44,594	50,210
Other property depreciation	2,263	1,498
Revaluation losses on non-current assets	142,922	75,346
Total	189,779	127,054

4. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

REFCUS is a class of expenditure that may meet statutory definitions of capital expenditure, but is of a nature that is not consistent with the accounting standards definitions of additions to Property Plant and Equipment. Examples include expenditure incurred on assets that are not owned by the council, often referred to as a capital grant. Expenditure is charged to the Income and Expenditure Account as it arises, but is then charged to the Capital Adjustment Account to be financed from capital resources. For the HRA this expenditure would include cash incentive payments (grants to tenants as an incentive to vacate their properties and purchase private accommodation), and statutory home loss payments where the council necessarily relocates tenants to other accommodation.

In 2023/24 £0.857 million was incurred in the HRA as REFCUS (£0.423 million in 2022/23).

5. MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE, NET AMOUNTS REQUIRED BY STATUTE

The following table shows Items included in the HRA Income and Expenditure Account but which are excluded from the movement on HRA Balance for the year:

	2023/24	2022/23
	£000	£000
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	824	5,459
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(16)	347
Gain or loss on the sale of HRA non current assets	22,938	11,309
HRA share of contributions (to)/from the Pensions Reserve	1,568	(8,673)
Capital expenditure funded by the HRA	3,223	15,989
Transfer to/(from) the Major Repairs Reserve	46,857	51,708
Transfer to/(from) the Capital Adjustment Account	(132,622)	(10,093)
Net amount required by statute to be charged to/(excluded from) the HRA	(57,228)	66,046

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

6. HRA BALANCE

HRA reserves as at 31 March 2024 of £16.921 million (£19.458 million as at 31 March 2023) are allocated as follows:

	31 March 2024	31 March 2023
	£000	£000
Modernisation, Service and Operational Improvement Reserve	-	(350)
Financial Risk Reserve	(16,921)	(19,108)
Total	(16,921)	(19,458)

The financial risk reserve, £16.9m, includes £7.5m contingency, broadly representing 2.3% of gross HRA revenue spend and housing investment programme spend. The reserve also provides £1.3m to self-insure against the risks of subsidence and significant fire damage to the council's housing stock, £0.4m for estate parking and £5.6m relating to debt financing. There is also a residents participation reserve of £0.7m. The repairs and maintenance transformation is £0.3m and the great estates reserve remains at £0.3m. The HRA operational reserve has been reduced to £0.3m. There is an additional £0.6m for Discretionary Housing Payments.

7. MAJOR REPAIRS RESERVE

	2023/24	2022/23
	£000	£000
Balance 1 April	-	-
Transfers from the Capital Adjustment Account	(46,857)	(51,708)
Transfer to (from) the HRA	-	-
Financing of capital expenditure	46,857	51,708
Balance 31 March	-	-

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

8. CAPITAL EXPENDITURE AND FINANCING

	2023/24	2022/23
	£000	£000
Capital Investment		
Non-current assets	330,351	316,537
REFCUS	857	423
Total	331,208	316,960
Funding Source:		
Revenue contributions	(3,223)	(15,989)
Capital receipts from the sales of assets	(25,568)	(33,716)
Grants and other contributions	(63,750)	(118,151)
Major Repairs Reserve	(46,857)	(51,708)
Borrowing	(191,810)	(97,396)
Total	(331,208)	(316,960)

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

	2023/24	2022/23
	£000	£000
Council dwellings		
Right to Buy	(11,273)	(23,834)
Non Right to Buy	(5,727)	(10,061)
Other receipts		
Land sales	(10,345)	(124)
Mortgages	(3)	(4)
Sub total	(27,348)	(34,023)
Less: Pooled (paid to central Government)	-	-
Total	(27,348)	(34,023)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

10. HOUSING TENANTS ACCOUNTS

	2023/24	2022/23
	£000	£000
Gross arrears as at 1 April	31,279	29,633
Prior year payments	(13,845)	(14,322)
Arrears as at 1 April	17,434	15,311
Charges due in the year	263,954	240,148
Rent rebates	(66,325)	(63,590)
Write-offs	(2,155)	(609)
Adjustments	(7,386)	(8,243)
Cash collected	(184,498)	(165,583)
Net arrears as at 31 March	21,024	17,434
Payments in advance	13,539	13,845
Gross arrears as at 31 March	34,563	31,279

The arrears position comprises all dwelling stock and non-residential properties, hostels and Browning Estate Management Board. It excludes temporary accommodation, i.e. bed and breakfast, private sector leasing, and travellers' sites, as these are General Fund services.

11. IMPAIRMENT OF DEBTORS

	2023/24	2022/23
	£000	£000
Rents	(18,605)	(15,799)
Income from hostels	(2,216)	(1,550)
Court costs	(900)	(882)
Commercial rents	(3,710)	(3,495)
Penalty Charge Notices and parking warrants	(4,687)	(4,532)
Total	(30,118)	(26,258)

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

12. PENSIONS COSTS

The HRA is charged with the costs of pensions for its employees in accordance with IAS 19. The costs are then reversed out of the HRA to the Pensions Reserve. The values have no net effect on rents or other HRA income.

The apportionment of charges to the HRA under IAS 19 is based on the ratio of employer payroll costs incurred by the council for staff charged to the HRA against those employed for the council as a whole. This apportionment is also applied to actuarially assessed items such as pensions interest cost, the expected return on pension assets, and actuarial gains and losses.

	2023/24	2022/23
	£000	£000
Current service cost less contributions	(1,286)	7,027
Interest on pension scheme liabilities	(282)	1,647
Actuarial (gains)/losses	1,585	(72,796)
Movement on the Pensions Reserve	17	(64,122)
Add Pension contributions attributable to the HRA	10,488	6,421
Total IAS 19 charges	10,505	(57,701)

13. WATER CHARGES

In March 2016, the High Court (Chancery Division) found that the council had been overcharging a tenant for water supplies via Thames Water, contrary to the Water Resale Order 2006. Refunds to current and former tenants commenced in 2016-17, and the council made appropriate provision in its accounts for this purpose. This process has continued during subsequent years, with the amount provided for reduced accordingly. The balance on the water refund provision as at 31 March 2024 was £0.953m (31 March 2023 was £0.953m).

Under the terms of the Water Resale Order 2006, the refunds are net of a daily administrative charge, but inclusive of interest at a rate determined by the regulations.

14. INCOME, EXPENDITURE AND CHANGES IN THE FAIR VALUE OF INVESTMENT PROPERTIES

This disclosure identifies expenditure, rental/investment income and changes in the fair value of HRA shops and other HRA assets classified on the balance sheet as investment properties.

The net gain/(loss) included in the HRA Income and Expenditure Statement in 2023/24 is £0.56m (net gain of £5.064m in 2022/23).

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24



**COLLECTION FUND ACCOUNT
2023/24**

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

COLLECTION FUND

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund account. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates (NDR).

INCOME AND EXPENDITURE ACCOUNT

	Notes	Council Tax £000	Business Rates £000	Business Rates Supplement £000	2023/24 £000	2022/23 £000
Income						
Income from Council Tax	1	(183,252)			(183,252)	(173,028)
Transfer from the General Fund		(319)			(319)	(267)
Income from Business Rates	2		(282,756)		(282,756)	(286,044)
Transitional protection payments from DLUHC			(24,226)		(24,226)	-
Income from Business Rate Supplement (BRS)	3			(9,959)	(9,959)	(9,953)
Contribution from preceptors towards previous years	4	-	(17,555)		(17,555)	(83,022)
Collection Fund deficit						
Total Income		(183,571)	(324,537)	(9,959)	(518,067)	(552,314)
Expenditure						
Precepts and Demands						
Greater London Authority (GLA)		47,397			47,397	42,434
London Borough of Southwark		137,426			137,426	128,608
Share of Business Rates						
Greater London Authority (GLA)			122,609		122,609	103,363
London Borough of Southwark			99,412		99,412	83,807
Department of Levelling Up, Housing and Communities (DLUHC)			109,354		109,354	92,188
Transitional protection payment to DLUHC			-		-	1,299
Cost of Collection allowance (NNDR)			761		761	752
Business Rate Supplement (BRS):	3					
Payment to GLA				9,942	9,942	9,938
Administrative costs				17	17	15
Council Tax impairment of debts:						
Increase/(decrease) allowance for non-collection		2,822			2,822	3,330
Write Offs		399			399	(3,155)
NDR Impairment of debts & appeals:						
Increase/(decrease) allowance for non-collection			(119)		(119)	1,243
Write Offs			1,987		1,987	3,061
Provision for appeals	5		(12,993)		(12,993)	(3,157)
Contribution to preceptors towards previous years	4	410	-		410	342
Collection Fund surplus						
Total Expenditure		188,454	321,011	9,959	519,424	464,068
Net deficit/(surplus) for the year		4,883	(3,526)	-	1,357	(88,246)
Deficit/(surplus) at 1 April		1,311	20,784	-	22,095	110,341
Deficit/(Surplus) at 31 March		6,194	17,258	-	23,452	22,095

The accompanying notes form an integral part of financial statement.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

Council tax is a property-based tax, which is assessed on the value of residential property. For this purpose, the Valuation Office Agency (VoA) has set residential properties into eight valuation bands (A to H) using estimated market value at 1 April 1991. The council tax charges are calculated by estimating the amount of income required from the Collection Fund by the council and preceptors for the forthcoming year, and dividing this by the council tax base, which is the estimated total number of properties liable to tax, expressed as a band D equivalent.

In 2023/24 the estimated income required from all preceptors for the Collection Fund was £184.8m (2022/23 £171.0m). The amount of council tax for a band D property was £1,692.92 in 2023/24 inclusive of the GLA precept (2022/23 £1,594.54) and is multiplied by the ratio specified for the particular band to give the council tax due from properties in those bands. The 2023/24 council tax base after allowing for adjustments for non-collection (97.2% collection rate) was 109,174.

The table below shows how the council tax base was set and the resulting band D council tax:

Band	Estimated number of properties after discounts		Ratio	Equivalent number of band D properties	
	2023/24	2022/23		2023/24	2022/23
A	8,289	7,736	6/9	5,526	5,157
B	27,418	26,690	7/9	21,325	20,759
C	27,579	27,230	8/9	24,515	24,204
D	22,381	22,085	1	22,381	22,085
E	16,832	16,558	11/9	20,573	20,237
F	6,552	6,511	13/9	9,464	9,405
G	4,203	4,177	15/9	7,005	6,962
H	765	774	18/9	1,530	1,548
Total	114,019	111,761		112,319	110,357
Less adjustment for collection rate				(3,145)	(3,090)
Council Tax Base for year				109,174	107,267
Estimated Income Required from Collection Fund				£ 184,822,848	£ 171,041,523
Band D Council Tax				£ 1,692.92	£ 1,594.54

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

2. NON-DOMESTIC RATES

Non-domestic rates (NDR), known as business rates are collected from local businesses by the council. From 1 April 2013 the business rates retention scheme was introduced nationally.

For 2023/24, the regulations meant the council could retain 30% business rates income, with the remainder allocated to the Greater London Authority at 37% and the Department of Levelling Up, Housing and Communities (DLUHC) 33%.

Business rates are based on local rateable values set by the Valuation Office Agency (VoA) and a multiplier set by central government (DLUHC). The non-domestic rating multiplier and the small business non-domestic rating multiplier for England in 2023/24 were:

- i) the standard multiplier was 51.2p (2022/23 51.2p)
- ii) the small business multiplier was 49.9p (2022/23 49.9p)

Local businesses pay NDR calculated by multiplying their rateable value (RV) by the appropriate multiplier and subtracting any relevant reliefs. The total VoA rateable value in Southwark at 31 March 2024 was £815.4m (at 31 March 2023 £755.2m).

3. BUSINESS RATE SUPPLEMENT

Business rate supplements (BRS) are collected from local businesses by the council, on behalf of the GLA for the Crossrail project in London. For 2023/24, the levy remains set at 2p per pound of rateable value (RV), (unchanged since its inception in 2010) on non-domestic properties with a rateable value greater than £75,000. The threshold increased from £70,000 to £75,000 in 2023/24, reflecting the impact of the 2023 business rates revaluation.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

4. CONTRIBUTION TO/FROM PRECEPTORS OF THE PREVIOUS YEAR'S ESTIMATED COLLECTION FUND SURPLUS/DEFICIT

As a billing authority, the council is required to make an estimate of the surplus or deficit for the Collection Fund; for council tax by the 15 January and for non-domestic rates by 31 January each year. The estimated surplus or deficit is used in setting the council tax for the following year, by reducing council tax if there is a surplus or increasing council tax if there is a deficit. In January 2023, the Council estimated a council tax surplus of £0.409m and NDR deficit of £17.555m for 2022/23, as follows:

	Council Tax £000	Business Rates £000	Total £000
(Surplus) / Deficit as at 31 March 2022	3,047	107,294	110,341
Estimated in-year (surplus)/deficit for 2022/23	(3,456)	(89,739)	(93,195)
Estimated (surplus) / deficit as at 31 March 2023	(409)	17,555	17,146

The estimated surplus for council tax was apportioned between the council and the GLA based on their respective demands and precepts on the Collection Fund, and the estimated deficit for business rates was apportioned between the council, the GLA and DLUHC as follows:

Authority	Council Tax		Business Rates		Total £000
	%	£000	%	£000	
Southwark Council	*74	(285)	30	5,267	4,982
Greater London Authority	*26	(124)	37	6,495	6,371
Central Government			33	5,793	5,793
Estimated (surplus) / deficit for 2022/23 redistributed in 2023/24		(409)		17,555	17,146

* Actual percentage applied was rounded to 70%:30% for council tax.

5. PROVISION FOR BUSINESS RATE APPEALS

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

As at 31 March 2024, 406 appeals cases remain unsettled and outstanding with the VoA. Following the 2023 revaluation, a check, challenge, and appeals policy was introduced by central government to reform the business rates appeals system applicable to the new rating list effective on 1 April 2023. The check and challenge system is designed to make the business rates appeals assessment and application process more stringent to reduce the level of unsubstantiated appeals lodged with the VoA.

The provision for alteration of lists and appeals as at 31 March 2024 is £20m (£33m as at 31 March 2023), a decrease of £13.0m based on consideration of recent case law, potential unlogged appeals cases and other factors including check and challenge cases information from the VoA - Southwark council's share being £6m.

Share of provision	Southwark Council 30% £m	GLA 37% £m	DLUHC 33% £m	Total 100% £m
2023/24	6.0	7.4	6.6	20.0
2022/23	9.9	12.2	10.9	33.0

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24



**PENSION FUND ACCOUNT
2023/24**

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

LONDON BOROUGH OF SOUTHWARK PENSION FUND STATEMENT OF ACCOUNTS

FUND ACCOUNT

	Note	2023-24		2022-23	
		£000	£000	£000	£000
Dealings with members, employers and others directly involved in the fund					
Contributions	7	(68,208)		(62,575)	
Transfers in from other pension funds	8	(5,489)		(3,285)	
Subtotal			(73,697)		(65,860)
Benefits	9	74,953		71,702	
Payments to and on account of leavers	10	5,994		4,322	
Subtotal			80,947		76,024
Net reduction/(addition) from dealing with members of the fund			7,250		10,164
Management expenses	11		11,122		11,785
Net additions including fund management expenses			18,372		21,949
Returns on investments					
Investment income	12	(23,939)		(18,488)	
Taxes on income	12	(489)		520	
Profit and losses on disposal of investments and changes in market value of investments	14a	(169,450)		79,281	
Net return on investments			(193,878)		61,313
Net (increase)/decrease in the net assets available for benefits during the year			(175,506)		83,262
Opening net assets of the scheme			(2,060,487)		(2,143,749)
Net assets of the scheme available to fund benefits as at 31 March			(2,235,993)		(2,060,487)

NET ASSETS STATEMENT

	Note		31 March 2024 £000		31 March 2023 £000
Long Term Investments			150		150
Investment assets	14		2,224,722		2,039,131
Total Net Investments			2,224,872		2,039,281
Current assets	21		19,537		28,849
Current liabilities	22		(8,417)		(7,644)
Net assets of the scheme available to fund benefits as at 31 March			2,235,993		2,060,487

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The estimated actuarial present value of promised retirement benefits is disclosed at note 19.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

NOTES TO THE PENSION FUND STATEMENTS

1. DESCRIPTION OF THE FUND

The Pension Fund (the fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Southwark Council (the council).

The following description of the fund is a summary only. For more detail, reference should be made to the pension fund annual report and the underlying statutory powers underpinning the scheme, namely the Public Service Pension Act 2013 and the LGPS Regulations.

a) General

The scheme is governed by the Public Service Pension Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

It is a contributory defined benefit scheme that provides pensions and other benefits for former employees of the council and other admitted organisations.

The overall investment strategy is the responsibility of the council as the administering authority of the fund. This responsibility is delegated to the Strategic Director of Finance, taking account of the advice of the Pensions Advisory Panel. In line with the provisions of the Public Services Pensions Act 2013, the council has set up a Local Pension Board to assist the council in its role as scheme manager of the Pension Fund. The board meets on a quarterly basis and has its own terms of reference. Board members are independent of the Pensions Advisory Panel.

A list of participating organisations and their contributions for the financial year is included within the pension fund annual report. This is available from the council website.

b) Membership

Membership of LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the fund include:

- Scheduled bodies, which are largely academies and similar bodies whose staff are automatically entitled to be members of the fund
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

A list of participating organisations and their contributions for the financial year is included within the pension fund annual report. This is available from the council website.

Membership details for the fund are set out below:

	31 March 2024	31 March 2023
Number of contributors to the fund	8,808	7,647
Number of contributors and dependants receiving allowances	8,738	8,512
Number of contributors who have deferred their pensions	8,860	9,032
Total contributors	26,406	25,191

SOUTHWARK COUNCIL
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c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employee contributions are matched by employers' contributions, which are set in accordance with the triennial actuarial funding valuations, the last being at 31 March 2022. For the 2023-24 financial year primary employer contribution rates ranged from 18.3% to 28.9% of pensionable pay, plus additional deficit payments where appropriate.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014 the scheme became a career average scheme.

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

	Service pre 1 April 2008	Service post 31 March 2008	From 1 April 2014
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary	Each year worked is accrued at 1/49 of pensionable pay for the year
Lump sum	Automatic lump sum of 3 x pension. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	

In August 2023, the pension fund made a self-declaration to the Pensions Regulator with regard to the late processing and issuance of member Annual Benefit Statements, due to issues with data migration to the new Pensions Administration system. The Pensions Regulator was informed of the plans to rectify and agreed no further action past these plans were required. These statements were then issued in tranches, with the final statements issued in January 2024.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

2. BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 2023-24 financial year and its position at year-end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Local Government Pension Scheme (Administration) Regulations 2013 require administering authorities in England and Wales to prepare a Pension Fund Annual Report which must include the Fund Account and a Net Assets Statement with supporting notes prepared in accordance with proper practices. The Regulations summarise the Pension Code and the minimum disclosure requirements.

Fund Account – Revenue Recognition

a) Contributions income

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

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- ☐ Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Scheme Regulations. Individual transfers in or out are accounted for when received or paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their **additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in employee contributions**. Bulk group transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

c) Investment income

i) Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current investment asset.

iii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current investment asset.

iv) Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

v) Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits and or losses during the year.

d) Fund account – benefits payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Management expenses

The Fund discloses its management expenses in line with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs (2016). All items of expenditure are charged to the fund on an accruals basis.

Administrative Expenses	All administrative expenses are accounted for on an accruals basis. All staff costs of pensions administration are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.
Oversight and Governance	All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.
Investment Management Expenses	All investment management expenses are accounted for on an accruals basis. Fees for the fund managers and custodian are agreed in the respective mandates governing their appointments and are based broadly on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

f) Fund account – taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

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Net Asset Statement

g) Financial assets

Investment assets are included in the net assets statement on a fair value or amortised cost basis as at the reporting date. Cash held by fund managers and the funds own cash are at amortised cost.

A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the fund. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. Details of the basis of valuation and disclosure levels within the fair value hierarchy are provided at note 13. Foreign currency transactions have been brought into the accounts at the exchange rate that was in force when the transaction took place.

h) Freehold and leasehold property

The valuation of direct property managed by Nuveen is carried out by Knight Frank LLP. The valuer is RICS qualified and the valuation took place on 31 March 2024. All properties have been included in the accounts at fair value as at 31 March each year.

i) Foreign Currency Transactions

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

j) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with financial institutions that are repayable on demand without penalty. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Loans and Receivables

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

m) Financial liabilities

The fund recognises financial liabilities at fair value or amortised cost as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the accounts (note 19).

o) Additional voluntary contributions

The fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVC assets are not included in the accounts but are disclosed as a note (note 6).

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p) Contingent assets and contingent liabilities

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

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

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies in note 3 the council has had to make critical judgements about complex transactions and those involving uncertainty about future events. There were no such critical judgements made during 2023-24.

Directly Held Property

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

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

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

The pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations, as indicated in the table below.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of retirement benefits	This applies to the estimation of the net liability to pay pensions, which depends upon a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The approximate impact of changing the key assumptions on the present value of retirement benefits are: - an 0.1% change in the discount rate would be +/- £51m - an 0.1% change in the rate at which salaries are projected to increase would be +/- £5m - an 0.1% change in the rate of pension increase would be +/- £47m - a one year change in mortality assumptions would be +/- £94m
Freehold and leasehold property and pooled property	Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible, management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The effect of variations in the factors supporting the valuation, estimated to be 5.9% would be an increase or decrease in the value of property of £17m, on a fair value of £291m.

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6. EVENTS AFTER THE REPORTING DATE

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

7. CONTRIBUTIONS RECEIVABLE

By category

	2023-24 £000	2022-23 £000
Employee's Contributions	(16,788)	(15,391)
Employer's Contributions		
Normal	(48,554)	(39,830)
Deficit funding	(1,714)	(5,963)
Early retirement strain	(1,152)	(1,391)
Total contributions from employers	(51,420)	(47,184)
Total	(68,208)	(62,575)

By type of employer

	2023-24			2022-23		
	Employees £000	Employers £000	Total £000	Employees £000	Employers £000	Total £000
Southwark council	(14,847)	(46,398)	(61,245)	(13,653)	(42,216)	(55,869)
Admitted bodies	(248)	(736)	(984)	(252)	(799)	(1,051)
Scheduled bodies	(1,693)	(4,286)	(5,979)	(1,486)	(4,169)	(5,655)
Total	(16,788)	(51,420)	(68,208)	(15,391)	(47,184)	(62,575)

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8. TRANSFERS IN FROM OTHER PENSION FUNDS

Transfers in from other pension funds were as follows:

	2023-24 £000	2022-23 £000
Individual transfers	(5,489)	(3,285)
Total	(5,489)	(3,285)

9. BENEFITS PAYABLE

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

	2023-24 £000	2022-23 £000
Pensions	61,626	55,560
Commutation of pensions and lump sum retirement benefits	12,063	13,596
Lump sums - death benefits	1,264	2,546
Total	74,953	71,702

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

	2023-24 £000	2022-23 £000
Southwark Council	70,492	66,862
Admitted bodies	2,872	3,195
Scheduled bodies	1,589	1,645
Total	74,953	71,702

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10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2023-24 £000	2022-23 £000
Refund of contributions	83	132
Individual transfers out to other schemes	5,911	4,190
Total	5,994	4,322

11. MANAGEMENT EXPENSES

	2023-24 £000	2022-23 £000
Administrative costs	3,511	3,580
Investment and management expenses	7,366	7,715
Oversight and governance costs	245	490
Total	11,122	11,785

The 2023-24 fee for external audit services for the pension fund is £75K (£49k in 2022-23).

The Pension Fund incurred expenses of £0.8m in relation to services provided by the council during 2023-24 (£0.9m during 2022-23).

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12. INVESTMENT INCOME

	2023-24 £000	2022-23 £000
Dividends from equities	(2,689)	(6,515)
Pooled funds	(10,800)	(2,343)
Pooled property funds	(1,858)	(1,048)
Net rental income from properties	(8,302)	(8,582)
Interest on cash deposits	(290)	-
Total before taxes	(23,939)	(18,488)
Taxes on income	(489)	520
Total after taxes	(24,428)	(17,968)

12a. PROPERTY INCOME

	2023-24 £000	2022-23 £000
Rental Income	(10,710)	(10,144)
Direct operating expenses	2,408	1,562
Net rent from properties	(8,302)	(8,582)

13. EXTERNAL AUDIT COSTS

	2023-24 £000	2022-23 £000
Payable in respect of external audit	75	49

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14. INVESTMENT ASSETS

	31 March 2024 £000	31 March 2023 £000
Long Term Investments		
Equities	150	150
Total	150	150
Investment Assets		
Equities	313,576	267,242
Pooled Funds		
Fixed Income		133,397
Equities	94,974	429,580
Diversified Growth	-	130,023
Property	129,685	92,967
Infrastructure	218,256	211,991
Private Equity	56,471	50,363
Multi Asset Credits	205,828	
Other	18,304	42,895
Unitised Insurance Policy		
Fixed Income	153,080	152,894
Equities	815,427	331,929
Property	217,383	194,310
Other investment balances	1,738	1,541
Total Investment Assets	2,224,722	2,039,132
Net Investments	2,224,872	2,039,282

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14a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year. The table below shows the movement in investment assets and the change in market value for the year:

	Opening balance*	Purchases	Sales	Change in market value	31 March 2024
	£000	£000	£000	£000	£000
Equities	267,242	313,964	(310,348)	42,717	313,575
Pooled funds	619,206	228,914	(269,784)	(2,805)	575,531
Pooled property funds	92,967	50,036	(948)	(12,370)	129,685
Unitised insurance policy	820,971	761,162	(761,166)	147,539	968,506
Property	194,310	35,960	2,276	(15,162)	217,384
Liquidity Funds/Money Market Funds	42,895	149,692	(178,912)	4,629	18,304
	2,037,591	1,539,728	(1,518,882)	164,548	2,222,985
Other investment balances	1,541			4,902	1,738
Total	2,039,132			169,450	2,224,723

*NB: Reclassification of pooled funds into unitised insurance policy funds and Liquidity/Money Market Funds

	Opening balance	Purchase	Sales	Change in market value	31 March 2023
	£000	£000	£000	£000	£000
Equities	256,900	65,969	(59,316)	3,689	267,242
Pooled funds	1,019,131	123,217	(148,586)	93,457	1,087,219
Pooled property funds	94,001	2,248	(557)	(2,726)	92,966
Unitised insurance policy	515,348	661,389	(661,392)	(119,492)	395,853
Property	230,600	7,511	(9,605)	(34,195)	194,311
	2,115,980	860,334	(879,456)	(59,267)	2,037,591
Other investment balances	4,561			(20,014)	1,541
Total	2,120,541			(79,281)	2,039,132

The Pension Fund does not hold derivatives as a main asset class, but they are used by Newton Investment Management, the council's active equity fund manager, to hedge the currency risk of holding global equities. The currency forward contracts are traded over the counter.

The valuation of direct property managed by Nuveen is carried out by Knight Frank LLP. The valuer is RICS qualified and the valuation took place on 31 March 2024. All properties have been valued at market value.

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

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14b. INVESTMENTS ANALYSED BY FUND MANAGER

The market value of assets (excluding cash and other investment balances) managed by the investment managers at the balance sheet date 31 March 2024 is set out in the table below.

	31 March 2024		31 March 2023	
	£000	%	£000	%
BlackRock	526,168	27%	747,969	37%
Blackstone	56,471	2%	50,363	19%
Brockton Capital	8,528	0%	6,839	13%
BTG Pactual	36,665	2%	35,743	10%
Comgest	94,974	4%	93,431	5%
Darwin	47,753	2%	21,620	6%
Frogmore	5,062	0%	6,799	2%
Glennmont	30,878	1%	26,001	2%
Invesco	46,412	2%	33,068	2%
LCIV CQS	100,000	5%	-	2%
Legal and General Investment Managers	467,839	19%	395,853	1%
M&G	42,629	2%	43,231	1%
Newton Investment Management	313,561	14%	267,226	0%
Nuveen	219,378	10%	197,339	0%
Robeco	105,828	5%	-	0%
Temporis	102,532	5%	112,108	0%
Total	2,204,678	100%	2,037,590	100%

The following investments represent more than 5% of investment assets at 31 March 2024.

Name of investment	Fund manager	31 March 2024	% of investment assets	31 March 2023	% of investment assets
		£000	%	£000	%
World Low Carbon Target	BlackRock	407,147	18%	336,149	16%
Global Equities	Newton	313,561	14%	267,226	13%
Direct Property	Nuveen	219,378	10%	197,339	10%
Low Carbon Transition	Legal and General	408,178	19%	166,572	8%
Multi Asset Credits	LCIV CQS	100,000	5%		0%
Emerging Market	Robeco	105,828	5%		0%
Low Carbon Target	Legal and General		0%	165,357	8%
Diversified Growth Fund	BlackRock		0%	130,023	6%
Absolute Return Bond Fund	BlackRock		0%	133,397	7%

14c. PROPERTY HOLDINGS

	31 March 2024	31 March 2023
	£000	£000
Opening balance	194,310	230,600
Additions:		
Purchases	35,960	7,734
Subsequent expenditure	-	2,661
Disposals	2,276	(19,513)
Net increase in market value	(15,162)	(27,172)
Closing Balance	217,384	194,310

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15. ANALYSIS OF DERIVATIVES

The fund does not currently have exposure to derivatives

16. FAIR VALUE HIERARCHY

The valuation of financial instruments has been classified into three levels in accordance with IFRS 13, according to the quality and reliability of information used to determine fair values.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments – unit trusts	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	Net assets value (NAV) based pricing set on a forward pricing basis	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments - property unit trusts and limited partnerships	Level 3	Valued at fair value as provided by the fund manager.	Purchase price at acquisition for newer or non-operational assets, estimated cash flows, government price support	Market prices and cash yields, government policies on energy subsidies, pace of shift to renewable and clean energy, discount rates
Unitised Insurance Policies	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	Net assets value (NAV) based pricing set on a forward pricing basis	Not required
Freehold, leasehold properties	Level 3	Valued at fair value at the year-end by independent valuers	Existing lease terms and rentals; Independent market research; Nature of tenancies; Covenant strength for existing tenants; Assumed vacancy levels; Estimated rental growth; Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices

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The following table shows the fair value valuation hierarchy of fund assets and liabilities.

Value as at 31 March 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Equities	313,576	150	-	313,726
Pooled Funds				
Fixed Income	-	-	-	-
Equities	-	94,974	-	94,974
Multi Asset Credits	-	205,828	-	205,828
Property	-	-	129,685	129,685
Infrastructure	-	-	218,256	218,256
Private Equity	-	-	56,471	56,471
Other	-	18,304	-	18,304
Unitised Insurance Policy				
Fixed Income	-	153,080	-	153,080
Equities	-	815,427	-	815,427
Total Financial Assets	313,576	1,287,763	404,412	2,005,751
Non-financial assets at fair value through profit and loss				
Property	-	-	217,384	217,384
Grand Total	313,576	1,287,763	621,796	2,223,135

Value as at 31 March 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Equities	267,242	150	-	267,392
Pooled Funds				
Fixed Income	-	133,397	-	133,397
Equities	-	429,580	-	429,580
Diversified Growth	-	130,023	-	130,023
Property	-	-	92,967	92,967
Infrastructure	-	21,620	190,370	211,990
Private Equity	-	-	50,363	50,363
Other	-	42,895	-	42,895
Unitised Insurance Policy				
Fixed Income	-	152,894	-	152,894
Equities	-	331,929	-	331,929
Total Financial Assets	267,242	1,242,488	333,700	1,843,430
Non-financial assets at fair value through profit and loss				
Property	-	-	194,310	194,310
Total	267,242	1,242,488	528,010	2,037,740

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

	Opening balance £000	Purchase £000	Sales £000	Realised gain/(loss) £000	Unrealised gain/(loss) £000	31 March 2024 £000
Financial assets at fair value through profit and loss						
Pooled Funds						
Property	92,967	50,036	(948)	(312)	(12,057)	129,685
Infrastructure	190,370	18,204	(1,013)	213	10,482	218,256
Private Equity	50,363	8,921	-	-	(2,813)	56,471
Non-financial assets at fair value through profit and loss						
Property	194,310	35,960	2,276	-	(15,162)	217,383
Total	528,010	113,121	314	(99)	(19,550)	621,795

	Opening balance £000	Purchase £000	Sales £000	Realised gain/(loss) £000	Unrealised gain/(loss) £000	31 March 2023 £000
Financial assets at fair value through profit and loss						
Pooled Funds						
Property	94,001	2,248	(557)	(194)	(2,532)	92,966
Infrastructure	113,281	42,647	(2,684)	519	36,608	190,371
Private Equity	38,475	13,532	(6,431)	87	4,700	50,363
Non-financial assets at fair value through profit and loss						
Property	230,600	7,511	(9,605)	(11,910)	(22,286)	194,310
Total	476,357	65,938	(19,278)	(11,498)	16,490	528,010

Sensitivity of assets valued at level 3

Having analysed historical data, information received from valuers and the valuation techniques of fund managers, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges:

Value as at 31 March 2024	Assessed valuation range	Valuation as at 31 March 2023 £000	Value on increase £000	Value on decrease £000
Pooled Funds				
Property	6.6%	129,685	138,244	121,126
Infrastructure	8.1%	218,256	235,935	200,577
Private Equity	11.8%	56,471	63,135	49,807
Property	6.6%	217,383	231,730	203,036
Total		621,795	669,044	574,546

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17. FINANCIAL INSTRUMENTS

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

	31 March 2024 £000	31 March 2023 £000
Financial assets		
Fair value through profit and loss		
Equities	313,726	267,392
Pooled Investments	593,833	998,248
Pooled Property Investments	129,685	92,967
Unitised Insurance Policy	968,507	484,823
Amortised cost		
Cash	2,658	26,432
Other Investment Balances	1,738	1,541
Debtors	471	3,371
Total	2,010,618	1,874,774
Financial liabilities		
Amortised cost		
Creditors	(5,656)	(3,471)
Net Total	2,004,962	1,871,303

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**Risk and risk management**

The Pension Fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the Strategic Director of Finance advised by the Pensions Advisory Panel. Risk management policies are established to identify and analyse the risks faced by the council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share price risk. This arises from investments held by the fund for which the future price is uncertain. All security investments present a risk of a loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the fund investment strategy.

Potential price changes are determined based on historical data and volatility of asset class returns. For example, 'riskier' assets such as equities will display greater potential volatility than bonds. The following table demonstrates the change in the net assets available to pay benefits, if the market price had increased or decreased. In consultation with the fund's investment advisers, the council has determined that the following movements in market price risk are reasonably possible:

2023-24 - asset type	31 March 2023 £000	Change %	Value on increase £000	Value on decrease £000
Fixed Income	153,080	5.4%	161,346	144,814
Equities	1,224,127	7.9%	1,320,833	1,127,421
Multi Asset Credits	205,828	5.9%	217,972	193,684
Property	129,685	6.6%	138,244	121,126
Infrastructure	218,256	8.1%	235,935	200,577
Private Equity	56,471	11.8%	63,135	49,807
Other	18,304	3.9%	19,018	17,590
Total	2,005,751		2,156,483	1,855,019

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2022-23 - asset type	31 March 2023 £000	Change %	Value on increase £000	Value on decrease £000
Fixed Income	286,291	5.1%	300,896	271,686
Equities	1,028,901	12.9%	1,161,804	895,998
Diversified Growth	130,023	6.1%	137,940	122,106
Property	92,967	5.9%	98,471	87,463
Infrastructure	211,990	4.6%	221,795	202,185
Private Equity	50,363	4.6%	52,692	48,034
Other	42,895	4.6%	44,879	40,911
Total	1,843,430		2,018,477	1,668,383

The potential changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisers' most recent review. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as shown in the table above.

Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The fund's interest rate risk is routinely monitored by the council and its investment advisers in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

Fixed interest securities are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%:

Assets exposed to interest rate risks	Market value £000	Value on 1% rate increase £000	Value on 1% rate decrease £000
As at 31 March 2024	153,080	154,611	151,549
As at 31 March 2023	286,291	289,154	283,428

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Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. A strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

The fund's currency risk is routinely monitored by the council and its investment advisers in accordance with the fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Overseas equities, fixed interest securities and futures, cash in foreign currencies and some elements of pooled investment vehicles are exposed to currency risk. The following table demonstrates the change in value of assets exposed to currency risk had there been a 6.3% strengthening or weakening of the pound against foreign currencies.

Assets exposed to currency risk	Value	Change	Value on foreign exchange rate increase	Value on foreign exchange rate decrease
	£000	%	£000	£000
As at 31 March 2024	422,586	5.6%	446,251	398,921
As at 31 March 2023	372,764	6.3%	396,248	349,280

Credit risk

This is the risk the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. For example a stock may lose value or a dividend due may not be paid. The fund's entire investment portfolio is therefore exposed to some form of credit risk. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

The Fund has set out a series of restrictions in each investment manager's agreement. These restrictions are intended to limit the risks from each individual investment and prevent unsuitable investment activity. The Fund also employs a global custodian to ensure that all transactions are settled in a timely manner.

Liquidity risk

This is the risk that the Pension Fund may not have the funds available to meet payments as they fall due. Historically the Fund has been cash positive (i.e. contributions received have been greater than benefits paid out). However, in recent years this has reversed with benefits paid now surpassing contributions received. The reduction in active members and a resulting change in the membership profile have increased the liquidity risk of the Fund going forward.

The Fund currently has two bank accounts. One is held by the global custodian and holds cash relating to investment activities, the other is the Pension Fund bank account, which holds the cash relating to member activities.

There is a strategy in place to forecast all income and expenditure for the Fund to ensure that sufficient funds will be made available to meet short-term commitments. In the event that there are insufficient available assets to meet liabilities when they fall due, the Fund would be able to redeem investment assets and recall cash resources from investment managers at short notice to meet this requirement.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

19. FUNDING ARRANGEMENTS

Statement of the Actuary for the year ended 31 March 2024

Introduction

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

The LGPS Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Southwark Pension Fund (the 'Fund') is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2022 by Aon, in accordance with Regulation 62 of the LGPS Regulations.

Actuarial Position

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

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

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

- 3 The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution changes and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances. This included an agreement that where employers are in surplus, this has only led to an adjustment in contributions to the extent that this surplus is in excess of 10% of the value of that employer's liabilities (i.e. to the extent that the employer's funding level is greater than 110%).
- 4 The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

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

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

The assets were valued at market value.

SOUTHWARK COUNCIL
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- 5 The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S3 'Heavy' mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for future improvements based on the 2021 Continuous Mortality Investigation Projections Model, with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.5	24.1
Future pensioners aged 45 at the valuation date	22.8	25.6

- 6 The valuation results summarised in paragraph 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.
- 7 The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 31 March 2023. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
- 8 This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2022. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, the London Borough of Southwark, the Administering Authority of the Fund, in respect of this Statement.

- 9 The report on the actuarial valuation as at 31 March 2022 is available on the Fund's website at the following address: <https://southwarkpensions.co.uk/library/actuarial-valuation-report>
- 10 The valuation report refers to Aon's approach to some benefit uncertainties in the 2022 valuation which have since been resolved:
- The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023 were laid on 8 September 2023, and came into effect from 1 October 2023. These regulations set out the McCloud remedy for the LGPS in England and Wales. The remedy is consistent with Aon's expectations and the approximate allowance made for McCloud liabilities in the 2022 valuation.
 - The Judicial Review relating to the 2016 cost management valuation has been concluded and the outcome is that there are no resulting additional costs falling on the Fund (and ultimately employers). The 2020 Treasury cost management valuation has been completed by the Government Actuary's Department. The England & Wales Scheme Advisory Board announced (on 19 April 2024) that it will shortly be publishing the final report of the separate 2022 scheme cost assessment that it is required to undertake under Regulation 116 of the LGPS Regulations 2013, in which different actuarial assumptions are used. However, the Board has already seen the initial results and agreed that it is "not minded to recommend to the Secretary of State any changes to LGPS benefits through that process". This outcome (for both the 2016 and 2020 processes) is in line with the approach taken in the 2022 valuation

Other benefit uncertainties remain as set out in the 2022 valuation report.

- 11 The Government Actuary's Department carries out a review of all LGPS pension fund valuations in England and Wales under Section 13 of the Public Service Pensions Act, to ensure they are following the Regulations and to assess whether the valuations are being carried out in a broadly consistent way. The review also seeks to ensure employer contributions are set at a level to ensure solvency and long-term cost efficiency. The review for the 2022 valuations has not yet been completed and the final report is not yet available.

However all LGPS fund valuation reports and the LGPS Scheme Advisory Board's (SAB's) summary of the 2022 valuations can be found on the SAB's website at the following link: <https://www.lgpsboard.org/index.php/fund-valuations-2022>

Aon Solutions UK Limited
May 2024

SOUTHWARK COUNCIL
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20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

IAS 26 (retirement benefit plans) requires the 'actuarial present value of promised retirement benefits' to be disclosed in the Pension Fund Accounts using the most recent actuarial valuation. The fund was last valued as at 31 March 2022.

	31 March 2024 £m	31 March 2023 £m
Fair value of net assets	2,239	2,064
Actuarial present value of promised retirement benefits	(1,901)	(1,911)
Surplus/(deficit) in the fund as measured for IAS 26	338	153

21. CURRENT ASSETS

The current assets of the fund are analysed as follows:

	31 March 2024 £000	31 March 2023 £000
Contributions due - employees	855	191
Contributions due - employers	1,320	2,811
Sundry debtors	471	3,371
Prepayments	11	6
Sub-total	2,657	6,379
Cash balances	16,879	22,470
Total	19,536	28,849

22. CURRENT LIABILITIES

The current liabilities of the fund are analysed as follows:

	31 March 2024 £000	31 March 2023 £000
Benefits	(1,369)	(2,347)
Professional fees	(280)	(151)
Investment fees	(5,376)	(3,320)
Taxes	(797)	(913)
Other	(594)	(913)
Total	(8,417)	(7,644)

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Fund Manager	Contributions Paid 2023-24 £000	Market Value 31 March 2024 £000	Contributions Paid 2022-23 £000	Market Value 31 March 2023 £000
Aegon UK	245	3,471	249	3,644
Total	245	3,471	249	3,644

24. AGENCY SERVICES

The council has not acted as an agent for any employers of the fund in 2023-24.

SOUTHWARK COUNCIL
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25. RELATED PARTY TRANSACTIONS

Through its administration of the fund, the fund has a related party interest with the council. The council charged the fund £0.9m in 2023-24 (£0.9m in 2022-23). Management of the Pension Fund is the responsibility of the council's Strategic Director of Finance and Governance and a small proportion of the costs of this post were apportioned to the fund in 2023-24 and 2022-23.

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

The Pension Advisory Panel (PAP) offers advice to the Strategic Director of Finance and Governance. Five members of the PAP are currently active members of the pension fund whilst one member is in receipt of pension benefits. Members of the PAP are required to make a declaration at each meeting, which is then recorded in the minutes and are available on the council website.

The council is also the single largest employer of members of the Pension Fund and contributed £46.4m to the fund in 2023-24 (£42.4m in 2022-23).

25A. KEY MANAGEMENT PERSONNEL

Job Title	Increase in IAS 19 Liability to 31st March 2024 £000	Increase in IAS 19 Liability to 31st March 2023 £000
Strategic Director of Finance (new)	22	-
Strategic Director of Finance and Governance (former)	3	30
Departmental Finance Manager - Corporate	-	11
Senior Finance Manager - Treasury and Pensions	9	10
Pensions Manager	4	13
Total	38	64

26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2024 totalled £103.9m (31 March 2023: £86.3m).

These commitments relate to outstanding call payments due on property and infrastructure funds. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of each original commitment.

Glossary



ACCOUNTING STANDARDS

These are the 'proper accounting practices' that the council must follow. They comprise laws and regulations, which are set out in Acts of Parliament and in codes of practice recommended by professional bodies.

ACCRUAL

An accounting principle where income and expenditure is recognised as it is earned or spent rather than when money is received or paid. This concept is reflected in the accounts by the inclusion of debtors and creditors.

ACTUARIAL GAINS AND LOSSES

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations or the actuarial assumptions have changed.

AMORTISED COST

A way of measuring financial instruments that ignores changes in fair value. Defined as the amount at which a financial instrument is measured when it is first brought onto the Balance Sheet, adjusted for:

- repayments of principal (minus), and
- cumulative amortisation of any difference between the initial amount and the maturity amount (using the effective interest method) (plus or minus).

These differences might arise (e.g.) from transaction costs being set off against the principal amount of a loan or interest being payable at less than market rates.

ASSET

An item having value to the council in monetary terms. Assets are categorised as either current or non-current:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the council and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

BALANCES (OR RESERVES)

These represent accumulated funds available to the council. Some balances (reserves) may be earmarked for specific purposes for funding future initiatives or meeting identified risks or liabilities. There are a number of unusable reserves which are established for technical purposes, it is not possible to utilise these to provide services.

BUDGET

A forecast of the council's planned expenditure and income, either over a set period or for a specific project.

CAPITAL ADJUSTMENT ACCOUNT

An account recording financing and disposals transactions relating to capital expenditure. This account is not available for general use to fund capital expenditure.

CARRYING AMOUNT

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

CAPITAL EXPENDITURE

Expenditure on the purchase, construction and enhancement of council assets such as houses, offices, schools and roads. Expenditure can only be treated as 'capital' if it meets the statutory definitions and is in accordance with accounting practice and regulations.

CAPITAL FINANCING

Capital financing is the process which occurs after capital expenditure has been incurred. There are a number of different sources of capital funding such as government capital / revenue grants, non-government grants, contributions from private developers, capital receipts and unsupported borrowing. Various funding sources are applied to capital spend to ensure that a project is fully financed from approved finance sources.

CAPITAL FINANCING REQUIREMENT (CFR)

The authority's total liabilities in respect of capital expenditure financed by credit less the provision made to meet these liabilities.

CAPITALISATION

Costs are capitalised to the extent that they create or improve any fixed asset with a useful economic life greater than one year.

CIPFA

The Chartered Institute of Public Finance and Accountancy is the accountancy body which represents at national level the interests of local government and public service finance. The Institute produces advice, codes of practice and guidance to local authorities on best practice.

CAPITAL RECEIPTS

Income received from the sale of land, buildings and other capital assets. These can be used to finance new capital expenditure within rules and limits set by the government, but they cannot be used to finance day to day spending.

COLLECTION FUND

This is a statutory account, which records income and expenditure on council tax, National Non Domestic Rates and the sums paid to precepting authorities.

COMMUNITY ASSETS

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks and historic buildings.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control.

CONTINGENT LIABILITY

A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control; or

A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CONTRACT ASSET

An asset arising from a contract for the purchase of goods and/or services from the council, where the council has met some of its performance obligations but is not yet entitled unconditionally to receive payment.

CONTRACT LIABILITY

A liability arising from a contract for the purchase of goods and/or services from the council, where the council has received payment but has yet to meet the performance obligations relating to that payment.

COUNCIL TAX

The main source of local taxation to local authorities. It is levied on households within the council's area and the proceeds are paid into the Collection Fund for distribution to precepting authorities and to the council's own General Fund.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

CREDIT LOSSES

A measure of how much the council would lose if the amounts owed to it by debtors and borrowers are not repaid. Defined as the shortfall between all the cash flows that are due contractually to the council under a financial asset and those that it actually expects to receive (discounted using the investment's effective interest rate).

CREDITORS

Amounts owed by the council for goods and services received but not paid for as at 31 March.

CURRENT SERVICE COST

An estimate of the true economic cost of employing people in a financial year.

DEBTORS

Amounts owed to the council for goods and services provided but where the associated income was not received as at 31 March.

DEFERRED CAPITAL RECEIPTS

These represent capital income still to be received after disposals have taken place and wholly consist of principal outstanding from the sale of council houses.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular fixed contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to the employee service in the current and prior periods.

DEPRECIATION

A measure of the cost of the economic benefits of the tangible non-current assets consumed during the period.

EARMARKED RESERVES

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

EXPECTED CREDIT LOSSES

Weighted average of credit losses with the respective risks of a default occurring as the weights.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable.

FAIR VALUE

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME FINANCIAL ASSETS

Investments for which gains and losses in fair value are recognised on the Balance Sheet but do not impact on the council's income as they arise but only when the investment matures or is sold. Defined as financial assets:

- held within a business model whose objective is achieved by both collecting contractual cash flows and selling investments, and
- which have the form of a basic lending arrangement (ie, contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding).

FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

Defined as financial assets that do not qualify for measurement at amortised cost or fair value through other comprehensive income.

FINANCE AND OPERATING LEASES

A finance lease is one that transfers a substantial proportion of the risks and rewards of a fixed asset to the lessee. With a finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset. For an operating lease a rental payment is payable to the lessor for the use of the asset and the ownership reverts to the owner when the lease is terminated.

SOUTHWARK COUNCIL
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FINANCIAL ASSET

A financial asset is any asset that is:

- a) cash
- b) an equity instrument of another entity
- c) a contractual right:
 - i) to receive cash or another financial asset from another entity, or
 - ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the authority
- d) a contract that will or may be settled in the entity's own equity instruments and is:
 - i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or
 - ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Note: in practice d) is not applicable to local authorities as they do not issue equity instruments. However, it may apply to an authority's group accounts.

FINANCIAL INSTRUMENT

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The adjustment account is used to equalise the impact of financial reporting standards for financial instruments on council tax over the life of financial instruments concerned.

GENERAL FUND

This is the main revenue account of the council and includes the net cost of all services (except council housing) financed by local taxpayers and government grants.

HOUSING REVENUE ACCOUNT (HRA)

This is a statutory account that shows all income and expenditure relating to the provision, management and maintenance of the council's housing stock. Under the Local Government and Housing Act 1989, this account is kept separate from the General Fund and the account must balance. The council is not allowed to make up any deficit in the HRA from the General Fund.

IAS19 EMPLOYEE BENEFITS

International Accounting Standard 19 is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

IMPAIRMENT

A reduction in the value of a non-current asset, greater than normal depreciation, through economic consumption or through a fall in price.

INFRASTRUCTURE ASSETS

A classification of non-current assets, whose life is of indefinite length and which are not usually capable of being sold, e.g. highways, street lighting and footpaths.

INTANGIBLE ASSETS

Non-financial assets that do not have physical substance but are identifiable and are controlled by the council, for example, purchased software licences, patents and trademarks.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The accounting standards adopted by the International Accounting Standards Board (IASB). Local Authorities are required to produce full accounts using IFRS.

INVESTMENT PROPERTIES

Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential, with any rental income being negotiated at arm's length.

SOUTHWARK COUNCIL
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LEVIES

Payments to levying bodies such as the London Pension Fund Authority, Lee Valley Park Authority and Environment agency. The cost of these bodies is borne by local authorities in the area concerned, based on their council tax base and is met from the General Fund.

LOSS ALLOWANCE

An allowance made by setting funds aside to cover the expected credit losses calculated for a financial asset.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year and set aside as provision for credit liabilities, as required by the Local Government Act 2003.

NON DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the council on behalf of itself, the greater London Authority (GLA) and central government.

NET BOOK VALUE

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.

NET REALISABLE VALUE

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NON OPERATIONAL ASSETS

Non-current assets held by the council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASES

See finance and operating leases.

OPERATIONAL ASSETS

Non-current assets held, occupied, used or consumed by the council in the direct delivery of its services.

PERFORMANCE OBLIGATION

A promise in a contract with a service recipient for the council to deliver goods and/or services.

PRIVATE FINANCE INITIATIVE (PFI)

A government initiative that enables authorities to carry out capital projects through partnership with the private sector.

PRECEPT

These are demands made upon the Collection Fund, by the Greater London Authority (GLA), for monies which it requires to finance the services it provides.

PROVISIONS

Amounts set aside for liabilities and losses which are likely to occur but where the exact amount or timing is uncertain.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure that is not related to the council's non-current assets but statutory regulations allow the cost to be funded from capital resources. The expenditure is recorded in the Comprehensive Income and Expenditure Statement as it arises.

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RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.
- the parties, or any member of a group of which it is a part, provides key management personnel services to the other, or to the parent of the other, reporting entity.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made.

REVENUE EXPENDITURE

Day to day payments on the running of council services such as salaries and wages, operating costs and charges for the use of assets.

REVENUE SUPPORT GRANT (RSG)

A grant paid by central government in aid of local authority services in general as opposed to specific grants that may only be used for specific purposes.

SERVICE RECIPIENT

A person or an organisation that has contracted with the council (as part of the council's normal business) to obtain goods and/or services in return for payment (or in exchange of goods/services to the council).

TRANSACTION PRICE

The amount the council expects to be entitled to under contract in exchange for transferring promised goods and/or services to a service recipient.

USEFUL LIFE

The period over which the council will derive benefits from the use of a fixed asset.

WRITE-OFFS

Income is recorded in the council's accounts on the basis of amounts due. When money owing to the council cannot be collected the income is already showing in the accounts and has to be reduced or written off.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

Southwark
Council



Meeting Name:	Audit, Governance and Standards Committee
Date:	3 February 2025
Report title:	2024-25 Q3 report of the Corporate Anti-Fraud Team (CAFT), Finance and the Special Investigations Team (SIT)
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	n/a

RECOMMENDATION

1. That the audit, governance and standards committee note the 2024-25 Q3 report of the Corporate Anti-Fraud Team (CAFT) and the Special Investigations Team (SIT).

BACKGROUND INFORMATION

2. This report summarises the work of the CAFT and SIT for the third quarter 1 April 2024 to 31 December 2024.

KEY ISSUES FOR CONSIDERATION

2024-25 Investigations

3. There were 20 corporate anti-fraud, 4 RTB and 6 blue badge investigations carried over from the 2023-24 year. Table 1 summarises the Corporate Anti-Fraud Team investigations referred between 1 April 2024 to 31 December 2024.

Table 1: Summary of the anti-fraud caseload Q3 2024/25

2024-25 Q3	Corporate Anti-Fraud		Homeless		Waiting List		Right to Buy		Blue Badges	
C/f	Open	Closed	Open	Closed	Open	Closed	Open	Closed	Open	Closed
	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
Oct	10	8	1	1	14	6	3	4	2	4
Nov	4	4	0	0	4	5	0	1	0	0

2024-25 Q3	Corporate Anti-Fraud		Homeless		Waiting List		Right to Buy		Blue Badges	
C/f	Open	Closed	Open	Closed	Open	Closed	Open	Closed	Open	Closed
Dec	1	4	2	0	9	7	6	5	1	1
Total	81	61	9	7	66	43	25	26	18	11

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.
5. Internal refer to individuals or groups within the council, who may have engaged in fraudulent activities or contribute to when fraud occurred. External, on the other hand, are outside the council.

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

CAFT Investigations - 2024 -25		
Directorate (Accumulated Total)	Internal	External
Chief Executive Office	1	6
Children & Adults	6	10
Environment, Sustainability & Growth	4	3
Governance & Assurance	1	0
Housing	3	7
Resources	2	17
Strategies & Communities	0	0

Homelessness and Housing waiting lists

6. 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.
7. In 2024/5 Q3, the team received 3 referrals for a homelessness application and 27 for housing waiting list applications.
 - Q3 - 1 Homeless application is no further action. 2 homeless applications are to be reviewed.
 - Q3 - 9 waiting list applications were denied and 8 cases were maintained. 1 case is no further action. The remaining cases are being reviewed.

Right to Buy (RTB)

8. 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.

9. In November 2024 there were significant reforms to the RTB scheme. This resulted in an increase in RTB applications. We anticipate an increase in fraud and verification referrals as applications progress through the process over the coming months. This increase in applications is not anticipated to cause resource issues.
10. In 2024-25 Q3 there have been 9 referrals. The outcomes for Q3 are.
 - 4 cases have been closed no further action.
 - 1 application has been denied.
 - 5 cases have been accepted.

Blue Badge

11. 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.
12. Blue Badge Fraud Hotline cases in April 2024 - December 2024.

Closed No Further Action	11
Under investigation	7
Total	18

(6 Blue Badge CAFT referrals carried forward from 2023/24)
13. For those that are described as 'No Further Action', the cars were not found to be misusing a Blue Badge.
14. Table 3 provide a breakdown of BBFI blue badge seizures by type.

Table 3. Blue Badge Seizures Type

BBFI Breakdown of seizure Apr to Dec 2024									
	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Misuse	7	6	5	3	0	5	7	2	2
Lost		-	1	1	1	2	-	-	-
Stolen	3	4	4	6	5	4	5	8	3
Deceased	-	1	1	-	-	-	-	2	-
Fake/Copy	1	-	-	-	-	-	1	-	-
Expired	1	2	-	1	2	-	-	-	2
Cancelled	-	-	1	-	1	1	-	-	1
Total	12	13	13	11	9	12	13	12	8

Total Cases April to December 2024 = 103

Table 4. Q3 Status of Blue Badge Seizures – Total 33

Submitted for Prosecution	11
Warning Letters Issued	5
Ongoing Investigations	7
Awaiting Restoration (Impounded)	4
No further Action/PCN's issued	6

Housing Tenancy Counter Fraud Activity 2024-25 Q3

15. The Special Investigations Team (SIT) investigates 'housing tenancy fraud' in respect of the housing stock owned and managed by the council and other social housing where legislation directs that a local authority has specific responsibility. This includes cases of unlawful subletting, non-occupation, succession, assignment, mutual exchange, right to buy and housing register application fraud, unless otherwise agreed. The team are based within Residents Services within the Accommodation and Support Business Unit, Housing Needs and Support Directorate. The team operates reactively and proactively.
16. The team operates reactively and proactively. The performance measure for the team is to be top quartile nationally in terms of properties recovered from illegal occupancy as a percentage of total housing stock. The team also provides support to other teams within Residents Services to prevent and detect housing tenancy fraud and illegal occupancy and to support actions taken by those teams, including recovery of properties from illegal occupancy.

Table 5 Summary of workload 2024/25

2024/25	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
Open cases Month Start	483	487	496	514	426	427	431	407	396	483
Reactive Referrals Received	23	23	28	21	19	12	11	4	9	150
Verification Referrals Received	2	6	8	21	38	19	17	7	6	124
Proactive Referrals Received	2	0	0	0	0	0	0	0	0	2
Investigations Opened	27	29	36	23	18	18	27	12	9	199
Investigations Closed	23	20	18	88	17	14	51	23	8	262
Open Cases Month End	487	496	514	426	427	431	407	396	397	397
Properties Recovered	1	4	1	0	1	1	0	2	0	10
Frauds Prevented	0	4	4	2	0	2	4	2	0	18
Other Positive Outcomes	0	2	3	1	1	4	1	1	2	15

2024/25	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
Value of Fraud Detected (£000's)	39	191	99	30	39	39	60	108	0	605

17. Positive Outcomes are alternative actions resulting from investigations which are not measured as recoveries or preventions such as unlawful profit orders, claims being issued by the Court, benefits or council tax discounts being removed.
18. In addition to the properties recovered by the SIT a further 30 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.
19. Delays in the Courts and with Court Bailiff appointments continue to impact the recovery of properties.
20. SIT continue to seek to engage with tenants prior to the issue of claims to obtain possession without the need for legal action where possible.

Table 6 Notices Served

2024/25	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
Notices Served	4	3	1	0	0	0	0	0	0	8
Cases Referred to Legal Services	1	1	1	0	1	0	0	0	0	4
Cases with Legal Services (total)	20	21	21	21	21	22	22	21	21	22
Claims Issued by Court	0	2	0	0	0	1	0	0	0	3

21. Table 6 above shows the number of notices served and the current level of cases with legal services. The absence of notices does not indicate non-progression of investigations, a Notice to Quit may only be served where there is sufficient evidence for the council to determine that a secure tenancy is no longer secure, and tenants may choose to terminate tenancies voluntarily during the investigation process.

Enhanced Verification

22. As part of the proactive plan SIT now 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 Area Housing Management to either accept or deny the application or to request further information/clarification from the applicant. A breakdown of this work is shown in Table 7 below:

Table 7: Enhanced verifications

	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD Total
Received	2	6	8	21	38	19	28	32	15	169
Within 20 w/days	2	6	8	20	34	15	19	24	7	135
Accept	1	2	4	14	26	9	16	12	4	88
Deny	0	1	1	3	7	7	6	2	0	27
Further Info	1	3	0	3	1	4	6	7	2	27
Under review (month end)	0	0	3	4	1	0	0	11	9	14

23. The value of fraud detected by from the various work streams is shown in Table 8 below:

Table 8: Value of Fraud Detected

2024/25	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Value detected Illegal Occupation (£000's)	39	156	39	0	39	39	0	78	0	390
Value detected RTB prevented (£000's)	0	0	0	0	0	0	0	0	0	0
Value detected Tenancy prevented (£000's)	0	30	60	30	0	0	60	30	0	270
Other (£000's)	0	5	0	0	0	0	0	0	0	5
Total	39	191	99	30	39	39	60	108	0	665

24. The value of recovered properties is calculated using the Tenancy Fraud Forum/Fraud Advisory Panel formula which is generally adopted by local authorities and is based on average, net, temporary accommodation (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.
25. 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).
26. Value of a RTB prevented is £136k (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)

27. 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.
28. The NFI 2024/25 commenced with the initial release of data in December 2024. Table 8 below indicates the number and type of matches which have

been referred to Southwark for review.

29. The NFI risk scores are categorised based on various factors, such as likelihood and impact of fraud and are subsequently identified in different risk levels from nil to High. Fraud risk scores are broken down by risk area/dataset type e.g. Housing Benefit Claimants, Housing tenants, Blue badges etc. Individuals are assigned a risk score based on all the matches they appear within for each particular risk area.
30. The initial risk score for each individual match is based on two factors.
 - (i) Risk Logic – This is a set of criteria for each dataset combination that when met, indicates a fraudulent outcome is more likely to occur. These were previously referred to as ‘recommended filter criteria’.
 - (ii) Footprint Score – This is the score for the number of times an individual in a match appears at the address across all of the NFI data. It is an indicator as to whether, or not, that person resides at that address and can therefore inform risk.

The final risk score is the combination of risk logic and footprint score for each match.

Table 9: NFI 2024/25 Matches

NFI	High	Medium	Low	Nil	Total
Blue Badge Parking Permit	4	376	29	0	409
Council tax reduction Scheme	36	178	203	39	456
Housing tenants	462	72	374	184	1092
Payroll	12	16	16	5	49
Pensions	191	47	16	1	255
Waiting Lists	326	931	25	5	1287
Housing Benefits Claimants	56	7	175	63	301

31. CAFT, with the assistance of SIT and other services, will co-ordinate the review of these matches in the coming months. The High and Medium risk matches are all reviewed. Low risk scores will be reviewed, depending upon the category. A sample of those matches in the ‘nil’ category will be identified for review. NFI seek all organisations involved to complete and report match reviews by November 2025. It is accepted that fraud investigations may go beyond this time frame but the initial identification of fraud can be reported with a notional value.

Staffing, Recruitment and Training

32. CAFT has 6 posts; 1 manager leading 3 teams, 3 x Senior Investigators, 1 x Fraud & Verification Officer. There is a current vacancy for a Fraud Trainee.
33. SIT has a planned compliment of a manager and 8 investigations officers. At present two posts are vacant with recruitment to these planned for early 2025

Policy framework implications

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

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

35. 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

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

Health impact statement

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

Climate change implications

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

Resource implications

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

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

40. None required

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Tim Jones, Director of Corporate Finance		
Report Author	Paul Bergin, Corporate Anti-Fraud Manager Chris Flemyng, Special Investigations Team Manager		
Version	Final		
Dated	22 January 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments Included
Assistant Chief Executive, Governance and Assurance		n/a	n/a
Strategic Director, Resources		n/a	n/a
Cabinet Member		No	No
Date final report sent to Constitutional Team			22 January 2025

Meeting Name:	Audit, Governance and Standards Committee
Date:	3 February 2025
Report title:	Annual report on corporate risk
Ward(s) or groups affected:	N/A
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Strategic Director of Resources

RECOMMENDATION

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

BACKGROUND INFORMATION

3. This report provides an annual report on the council's key risk register. The key corporate risks were last reported to the committee in February 2024. This report provides an annual update.
4. This report also summarises the corporate risk management arrangements and reports on details of the council's risk profile and risk categories.

KEY ISSUES FOR CONSIDERATION

Overview

5. The main purposes of the council's corporate risk management process are:
 - To set out the most significant risks to the council in the context of multiple risks identified and managed within each department.
 - Where appropriate, to consolidate common risks issues especially where cumulatively they may amount to a higher risk rating
 - To ensure that single risks that may act to impact across all council services are recorded (e.g. cyber security).

- To enable risks to be effectively managed to ensure that the council meets its corporate and business objectives; and
 - To alert the council to new or increasing risks that may impact on the council's ability to serve its residents and wider community
6. The council's corporate risk register is prepared following joint assessment by officers of all departmental risks. Given the range of services provided by the council, these lists are long and detailed and will be rated from low to high. Many risks are of a very specific nature and are unlikely to be translated directly on to the corporate risk register. However, they may be consolidated into corporate risks in so far that cumulatively they create a higher risk to the council (e.g. loss of or reduction in funding sources; additional demand pressures; etc.).
 7. In the process of preparing the corporate risk register, concentration is placed upon moderation of risk ratings to ensure some consistency across the council and to confirm that appropriate mitigations are in place to manage the risk, as far as that is possible.
 8. This refresh of the corporate risk register, whilst maintaining risks associated with the council's normal operations, also considers the Southwark 2030 strategy, and attempts to align the corporate risks with the six goals where possible. Risk descriptions and high-level mitigations have been updated where appropriate. A number of the corporate risks remain extremely high, reflective of the current environment which continues to impact directly on management, operations and financing of local authorities.

Risk Categories

9. The council uses the following risk categories to capture risk:
 - Economic (e.g. credit crunch impacting on service delivery)
 - Financial (e.g. budgetary constraints)
 - Reputational (e.g. failures of service delivery which hit the press)
 - Staffing & Culture (e.g. recruitment & retention)
 - Operational (e.g. services not being delivered)
 - Legal & Regulatory (e.g. not complying with a statutory duty)
10. The 2025 split of number of risks by risk category is displayed in the table below. The categories remain at a consistent level compared with the percentages last reported.

Risk Category	Percentage (%) Jan 2024	Percentage (%) Jan 2025
Economic	5	5
Financial	22	26
Reputational	9	13
Staffing & Culture	10	7
Operational	34	30
Legal & Regulatory	20	19

Corporate Risk Register

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

Risk Assessment	Score Range	Number of Risks	
		Jan 2024	Jan 2025
Red	76 - 100	13	13
Amber	37 - 75	70	80
Yellow	22 - 36	42	35
Green	1 - 21	32	28

18. The total number of risks in the database is currently 156, which remains consistent with the number of risks reported in 2024, which were 157.
19. The risk management policy statement and strategy and associated procedure documents will be reviewed and refreshed later this year after the last refresh in 2023.

Key corporate risks

20. As set out above, following a review and validation of the combined departmental risk registers and an aggregation exercise, plus mapping these to the Southwark 2030 outcomes where possible, the top risks across the council have been identified. These top risks are attached in appendix 1.
21. The top risks are generally those that have been assessed as amber or red and which appear in more than one departmental risk register, and are therefore relevant to more than one department or would significantly affect the goals of the Southwark 2030 strategy. These top risks are those risks which often require most proactive management to ensure that all appropriate mitigation actions have been considered and are being implemented as far as possible.

Policy Implications

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

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

Community impact statement

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource Implications

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

Consultation

28. Consultation has not been undertaken.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

29. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
1	The Key Corporate Risks as at January 2025

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Laura Sandy		
Version	Final		
Dated	20 January 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments included
Assistant chief executive (governance and assurance)		No	No
Strategic Director of Resources		Yes	Yes
Cabinet Member		No	No
Date final report sent to Constitutional Team			20 January 2025

CORPORATE RISK REGISTER AND HIGH LEVEL MITIGATIONS

Southwark 2030 Priority	Risk Description	Mitigation
Decent Homes for All	Housing Revenue Account Overspends on the housing revenue and capital accounts result in the depletion of housing reserves resulting in an inability to set a balanced revenue budget or deliver on the council's housing investment programme.	• Creation of recovery plans, scrutinised and supported at a senior level • Review and refresh of the capital investment programme, including affordability criteria and prioritisation • Development of a medium-term strategy to restore reserves to a more sustainable level • Minimisation of borrowing across the housing investment programme in order to limit impact on the revenue account • Maximisation of income sources, be they revenue (e.g rents) or capital (e.g grant funding) • Review of procurement approach to maximise value for money
	Asset Management and Building Safety Failure to invest appropriately in the maintenance or management of the council's assets including damp and mould and disrepair issues, to have clear sight of responsibility for assets plus failing to implement the requirements of the Building Safety Act, or a sudden and unforeseen event which may give rise to unacceptable future liabilities and additional budget pressures, reputational damage and	• Housing asset management requirement reset including initial estimates of additional fire and building safety works • Programmes of planned and preventative maintenance (PPM) in place • Capital investment strategy and targeted investment in assets in place • Stock condition surveys and effective monitoring of assets • Insurance programme in place to respond to sudden and unforeseen events • Changes to staff structures that will support new regulations • Actions programme arising from the RSH judgement including electrical and fire safety, improvements to the repairs service

Southwark 2030 Priority	Risk Description	Mitigation
	potential legislative consequences.	Decent Homes Standard
A healthy environment	Climate Emergency Impact of the climate change strategy creates capacity, financial or practical operational challenges and pressures with the potential for reputational damage for any failure in delivery. Residents and the local environment are adversely affected by the climate emergency through threats such as overheating, flooding, water scarcity, food security, new pests and diseases.	- Specific capital investment to tackle climate risks and opportunities - Climate Emergency team established under Climate Change and Sustainability Director - Cross departmental collaboration to further develop the council's strategy - Engagement with stakeholders and partners - Development of council governance structures, policies and procedures to incorporate a commitment to the strategy - Development of clear and funded plan of activity to meet objectives of the council - Clear communication plan with all stakeholders - Continually review costs and affordability of programme and deliverability against 2030 target - Strategies in place such as climate resilience and adaptation strategy and flood risk management strategy
A good start in life	Schools and Education Existing significant school budget overspend and/or deficit balances coupled with the challenge of rising numbers of surplus places in primary schools creates pressure on school budgets and ultimately council budgets plus other direct consequences as savings are identified to try and achieve a balanced position.	- Revised borough-wide strategic plan based on clear principles for right sizing the school estate through removing surplus capacity from the system. - On-going work with schools to ensure schools in financial difficulties follow the scheme of management - Creation of recovery plans plus ongoing monitoring of school budgets - Joint approach with school improvement, finance and place planning colleagues to help schools and advise on the possible solutions. - On going support is given through the help of various tools, such as income modelling tools, budget templates

Southwark 2030 Priority	Risk Description	Mitigation
	SEND improvement programme via the DfE's 'safety value' initiative fails to deliver the agreed outcomes of the council's SEND Strategy which may impact on children and young people in the borough.	that have in built benchmarking. The recovery templates link in with the Integrated curriculum and financial planning (ICFP) as well as workforce planning and other tools to help schools manage the budget. • Training courses on budgets are provided to school business managers, head teachers and governors. • Dedicated schools grant management plan in place
A strong and fair economy	Acute Socio-Economic Factors Failure or lack of capacity to react to wider economic and socio-economic trends including changes to central government fiscal policy, inflation and interest rate changes, recession, changes in numbers of homeless, market forces (e.g. London housing market), international and domestic migration; all of which threaten to create either funding shortfalls or compromise the delivery of council services. Ongoing economic uncertainty and cost of living crisis continues to affect wealth and inequality, housing affordability, and complexity of need leading to increasing budget pressures and a worsening financial outlook.	• Flexible Medium Term Financial Strategy, which incorporates changing economic trends, reviewed regularly and reported to cabinet • Capital programme subject to continual review and update to ensure delivery of council priorities • Regular monitoring of performance against the council delivery programme by strategic directors and cabinet members • Active but flexible social regeneration, transformation and development programmes which may be deferred, cancelled or scaled down as high interest rates increase revenue costs • Active local economy engagement to communicate issues and to help mitigate risks to business and employment • Delivery, implementation and monitoring of new economic strategy • Regular update of fees and charges and review of new income generating schemes and grants to help mitigate financial impacts and risk of cuts
	Cost of Living Crisis The necessary resources required to support business and residents from the	• Maintenance of reserves and appropriate allocation of earmarked council reserves • Inclusion of contingency within budgets

Southwark 2030 Priority	Risk Description	Mitigation
	adverse impact of rising costs are not available from government and this will impact adversely on the funding of other council services and create budget gaps. Impact of cost of living crisis will continue to add a strain on the welfare benefits systems and increase demand for council services such as social care and health, welfare and emergency support and temporary accommodation.	• Budget challenge process implemented and followed • Budget monitoring and regular reporting on changes in the cost of delivering services with mitigating actions taken where adverse variances are predicted and adjusting forecasts as necessary • Continual lobbying of government to meet the needs and demand pressures created by the cost of living crisis and aftermath of the pandemic • Continued close monitoring of impacts on council services and local economy • Pan London engagement to communicate with government, the voluntary sector and other agencies • Delivery, implementation and monitoring of new economic strategy • Embedding of Southwark Stands Together programme and related cohesion work to ensure fair and balanced community recovery • Engagement of senior managers with Integrated Care Boards to strengthen the partnerships between the NHS and local government to build health equality within Southwark • Cross departmental programme board to coordinate activity • Fast and effective delivery of support through Household Support Fund • Liaison with VCS and key partners to delivery community referral pathway • Provision of warm hubs • Assistance/support for customers to ensure income maximisation • Delivery of the energy savers scheme in partnership with CAB

Southwark 2030 Priority	Risk Description	Mitigation
Cross cutting across Southwark 2030 objectives / other corporate risks	Cyber Security, IT, Data and Information Management Total or partial loss of significant core business systems, inadequate data security and the system becoming unfit to meet business needs results in impaired service delivery and performance and impacts on resident satisfaction impacting on the reputation of the council and staff productivity and morale.	• Regular oversight by shared service provider and council client to ensure that all controllable risk is managed and council services protected • Robust system back-up, firewall, anti-virus and cyber security arrangements in place through council's IT team and the managed IT shared service • Migration of software solutions to hosted managed services in the cloud • Appropriate contractual assurance for both cloud based and hosted services • Ensure all hardware and software is supported for security updates • Regular maintenance and update of disaster recovery and business continuity plans • IT capital improvement programme to continue to bring infrastructure up to an efficient and current standard • Further development of the structure and management of IT shared services arrangements with Brent and Lewisham • Effective policies, guidance, training and controls to ensure staff compliance, provided and updated regularly by the IT shared service • Robust information governance arrangements including well defined Data Protection Officer and Senior Information Risk Owner responsibilities • Training and awareness of staff both ongoing and through induction • Development of full insurance cover led by shared service as main provider of infrastructure security

Southwark 2030 Priority	Risk Description	Mitigation
	Recruitment, retention, resources and capacity A shortage of appropriately skilled and experienced staff compromises the ability of the council to deliver services and key priorities creating increased pressure on existing staff which may result in low morale, increased stress and sickness levels and an impact in performance across all departments. Staffing issues also inhibit the operation of an effective workforce strategy in having an engaged, motivated workforce, inclusive workplace, and a 'one council' approach resulting in poor organisational behaviours, culture and practices.	• Provision of training and development of existing staff for upskilling and promotion • Recruitment campaigns with specialist and targeted support • Development and delivery of workforce wellbeing strategy • Ensure that capacity needs are fully defined and resourced, especially for new and ongoing major projects and council delivery programme priorities • Review of recruitment function underway to improve processes and systems • Proactive strategic workforce planning including succession planning • Promotion of Southwark as an employer via employee value proposition • Annual staff survey
	Medium Term Financial Planning Future budgets (General Fund and HRA) for the council are not sufficiently robust, especially in light of the current economic climate e.g. interest rate volatility and future local government funding changes resulting in restricted council resources, compromised delivery of council services and strategic	• Established 3 year Medium Term Financial Strategy in place • Budget challenge panels and regular budgeting report system in place including to scrutiny and cabinet • 3 year approved budget in place 2024/2025 – 2026/2027 • Planning as far as possible future budgets to show financial risks related to uncertainty of funding • Active lobbying of government from various areas within the council to seek funding clarity

Southwark 2030 Priority	Risk Description	Mitigation
	priorities and/or risk of service failure, increased external scrutiny and reputational damage which also potentially due to unprecedented financial pressures, impact the council's reserves restricting the council's flexibility	• Robust monthly budget monitoring to review progress towards targets and regular reporting to Cabinet • Creation of options which reflect the council's priorities and ambitions and safeguard the provision of mandatory functions • Statutory reporting on robustness of budget estimates • Active engagements through S.151 Chief Finance Officer networks to seek clarity on future funding • Maintenance of adequate levels of balances and reserves • Consistent external audit opinions sustained over time • Oversight and scrutiny by Audit, Governance and Standards committee
	Key Providers and Partners The unexpected failure or non-contractual compliance of a key existing or future provider / partner / contractor resulting in serious disruption to a critical service and potential increased expenditure and need for resources to provide an alternative solution with resulting potential reputational damage. Inflationary pressures as a result of general market conditions such as increasing costs and lack of capacity, UK government policy or other sources increases the budget pressures already being faced by the council.	• Robust procurement and contracting processes in place safeguarding against foreseen failure • Evaluation of third sector grant programmes • Contingency and business continuity plans to be maintained • Backup contractors in place where appropriate • Updated CSO's and procurement guidance • Robust contract monitoring in place including regular spend and budget reviews • Negotiation with existing providers on contract increases being applied
	Capital Programme and Major	• Re-costing and prioritisation of the council's capital

Southwark 2030 Priority	Risk Description	Mitigation
	Projects The substantial commitment within the 10 year capital programme is not matched by resources, including any impact on property transactions arising from unavoidable external events leading to delays and cancellation in delivery or additional borrowing required causing damage to the council's ability to meet long term priorities and resulting in short term financing or funding implications	programme • Ongoing quality assurance of processes to mitigate scope for challenge • Close inter-departmental working with colleagues to develop overall planning strategies • Work with press office and key partners to manage communication • Key contracts and frameworks being put in place by the council • Adherence to the prudential code that regulates and contains council borrowing • Appropriate financial provision (MRP) to secure borrowing risk provided for within the HRA and General Fund accounting framework • Monitoring and regular reporting on value and timing of receipts and expenditure • Disposal of surplus assets
	Unforeseen Major Event An unforeseen major event occurs which affects critical services and the council's ability to deliver business as usual resulting in financial strain and impacts on the resilience and wellbeing of staff.	• Maintain and update disaster recovery and business continuity plans • Undertake practice scenarios to check robustness of business continuity plans • Engagement with contractors and partners to check their preparedness • Flexible, trained staff in place to respond to changes in demand • Council's business continuity policy and emergency plan in place, reviewed at least annually and approved by Cabinet
	Health & Safety	• Wellbeing initiatives and formalised wellbeing management arrangements are in place

Southwark 2030 Priority	Risk Description	Mitigation
	Failure to provide adequate provision of protection of staff, elected members, residents and all relevant stakeholders leading to their safety and / or mental health and wellbeing being compromised. Failure to meet various statutory compliance requirements across different council services leads to regulatory action including the possibility of monetary fines resulting in reputational damage and financial strain.	• Cautionary contact warning system to be further developed • Risk assessments in place including individual risk assessments where required • H&S management system in place, with associated policies and procedures regularly reviewed and updated • Regular communication and commissioning of H&S training • Assurance checks and audits carried out on a regular basis • Use of Assure system and regular corporate reporting in place • Established H&S committees in place with regular meetings throughout the year

Meeting Name:	Audit, Governance and Standards Committee
Date:	3 February 2025
Report title:	Review of the Members' Code of Conduct update
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Assistant Chief Executive – Governance & Assurance/ Monitoring Officer

RECOMMENDATION

1. That the committee note the pausing of the Review of the Members' Code of Conduct as a result of the Government's new proposals on member conduct.

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.
3. A member/officer working group was established in 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. 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.
4. Feedback on the potential move from the current code to the LGA code has also been obtained from the Independent Persons. 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.
5. Following consultation with members, officers are providing further advice and options in relation to other registerable interests. An update in November 2024 proposed adoption of a version of the model code in March 2025.

6. However, on 18 December 2024 the Government announced a consultation seeking the views on introducing measures to strengthen the standards and conduct regime in England and ensure consistency of approach amongst councils investigating serious breaches of their member codes of conduct, including the introduction of the power of suspension.

KEY ISSUES FOR CONSIDERATION

Strengthening the standards and conduct framework for Local Authorities

7. The consultation, 'Strengthening the standards and conduct framework for local authorities in England', also asks for views on implementing sanctions such as premises bans for councillors, setting up a national body for handling appeals, and requiring councils to have standards committees.
8. In a foreword to the document, the Minister for Local Government and English Devolution said the reforms aim to help councils run smoothly and hand them the "appropriate and proportionate means to deal with misconduct effectively and decisively when it does occur". The document detailed proposals for members to be disqualified for five years if they have been suspended more than once within a five-year period.
9. In the event of a suspension, the consultation proposed introducing a right of appeal for any member subject to a decision to suspend them. It added that members should only be able to appeal any given decision to suspend them once; an appeal should be invoked within five working days of the notification of suspension, and that, following receipt of a request for appeal, arrangements should be made to conduct the appeal hearing within 28 working days.
10. The consultation proposes either the creation a national body, or to vest the appeals function in an existing appropriate national body. The document also called for views on whether appeals panels should be in-house within local authorities or whether it is right that this responsibility sits with an independent national body.
11. On powers of suspension, the document suggested that local authorities should have the power to suspend councillors for serious code of conduct breaches for a maximum of 6 months, "with the option to withhold allowances and institute premises and facilities bans where deemed appropriate". Regarding suspensions, the consultation called for views on whether respondents believe local authorities should be given the power to suspend elected members for serious code of conduct breaches. It also asked if respondents think that it is appropriate for a standards committee to have the power to suspend members, or whether this should be the role of an independent body.

12. Granting local authorities power in legislation to ban suspended councillors from local authority premises and from using council equipment and facilities "could be beneficial in cases of behavioural or financial misconduct, ensuring that suspended councillors do not misuse resources or continue egregious behaviour", the document noted. There are no proposed changes to registering interests noted.

Standards Committee

13. Elsewhere in the document, the Government said it wants to introduce a requirement for all principal authorities to convene a standards committee. Formal standards committees would "support consistency" in the handling of misconduct allegations, applying the same standards and procedures to all cases and providing a formal route to swiftly identify and address vexatious complainants, according to the Government.
14. The consultation also seeks views on whether standards committee membership would be required to include at least one Independent Person and whether the Independent Person should chair standards committees.
15. In addition, the consultation asked whether councils should be required to publish annually a list of allegations of code of conduct breaches and any investigation outcomes.

Prescribed Model National Code

16. The consultation also detailed Government proposals to legislate for the introduction of a mandatory minimum code of conduct "which would seek to ensure a higher minimum standard of consistency in setting out the behaviours expected of elected members".
17. It proposes: "A prescribed model code which covers important issues such as discrimination, bullying, and harassment, social media use, public conduct when claiming to represent the council, and use of authority resources could help to uphold consistently high standards of public service in councils across the country and convey the privileged position of public office."
18. The Government will likely set out such a mandatory code in regulations to allow flexibility to review and amend in future, according to the document. The monitoring officer is sure that the work done by the Working Group will not be wasted and will inform the consultation on the proposed code.

Policy framework implications

19. Currently, the council must have a code of conduct for members; the current code is lawful and compliant.
20. As the consultation is likely to propose further changes to the conduct regime consideration needs to be given to whether the changes in adopting the LGA

model code currently proposed are necessary and proportionate.

21. The monitoring office feels that the adoption of the LGA model code should be paused until the council can consider the outcome of the consultation.
22. Consideration is also being given to existing Member Officer Protocol; the revised Member Officer Protocol consultation was based on the LGA model code being adopted. However, an updated version, based on the existing code needs to be prepared and consulted on and brought to a future meeting of the committee.

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

Community impact statement

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

Equalities (including socio-economic) impact statement

24. 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

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

Climate change implications

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

Consultation

27. Consultation on the LGA model code has already taken place with Members and the Independent persons.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Southwark code of conduct (Southwark)	Available on the internet	S Feasey 02075257580
<u>'Strengthening the standards and conduct framework for local authorities in England',</u>	Available on the internet	S Feasey 02075257580

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Assistant Chief Executive and Monitoring Officer		
Report Author	Norman Coombe		
Version	Final		
Dated	23 January 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments Included
Assistant Chief Executive, Governance and Assurance		Yes	Yes
Strategic Director, Resources		No	No
Cabinet Member		No	No
Date final report sent to Constitutional Team			23 January 2025

Meeting Name:	Audit, Governance and Standards Committee
Date:	3 February 2025
Report title:	Review of complaints made under the Members' Code of Conduct in 2024
Ward(s) or groups affected:	N/A
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Assistant Chief Executive (Governance and Assurance)

RECOMMENDATIONS

1. That the committee notes this report.

BACKGROUND INFORMATION

2. The Localism Act 2011 provided for local authorities to establish their own local arrangements for approving a members' code of conduct, and for dealing with any complaints about the code.
3. Following the implementation of the Act in 2012, Southwark Council approved its own code of conduct, formed a standards committee and appointed independent persons.
4. The responsibility for standards activity including the monitoring of the operation of the members' code of conduct passed to this committee in April 2016.

KEY ISSUES FOR CONSIDERATION

5. The Act requires local authorities to have arrangements to investigate allegations of breaches of the code of conduct by members and make decisions on them. The current arrangements were last updated at the meeting of this committee on 22 November 2022. The arrangements have continued to include provision for the monitoring officer to agree local solutions to resolve complaints without formal investigations in appropriate cases and to determine at an initial stage in the process whether any further action is needed in any particular case.

6. Since 2012 the monitoring officer has agreed to analyse the complaints data and report this information to the appropriate committee annually. The data for 2024 is shown in appendix A alongside comparative data for the previous three years.
7. Where multiple complaints have been received about the same member on the same subject, these have been treated in the statistics as representing one complaint. Where a number of members have been included in a single complaint again this has been recorded as one complaint.

Commentary

8. There was an increase in the number of complaints received in the last year. Four of the complaints have come from members of the public and one from a member of the council. In three cases the monitoring officer decided that no further action should be taken in relation to any of these complaints having carried out an initial investigation. In two cases the outcomes were local resolutions.
9. Where relevant the monitoring officer has sought the views of one of the independent persons prior to making her decision. Their views and consideration have been very valuable in assisting the monitoring officer in assessing complaints and finding solutions.
10. The assistance of the Whips has also been helpful in dealing with the complaints.

Code of conduct training

11. Code of conduct training has been provided to two new members during the year. The training looked at the provisions of the code and gave some case examples to assist members in avoiding any possible breaches.

Policy framework implications

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

Community and equalities (including socio-economic) impacts

13. The council has an open and transparent process for anyone to make a complaint against a member when they consider that the code of conduct has not been maintained. Information about the process is accessible on the council's website and there are arrangements in place for members of the public to make complaints in writing, or orally if necessary due to any disability or language difficulties.

Health Impacts

14. There are no specific identified health impacts resulting from the matters addressed in this report, so a health impact statement is not considered necessary.

Climate change implications

15. There are no specific climate change issues arising from the matters dealt with in this report.

Legal implications

16. The specific legal implications relating to this report have been included in the report.

Financial implications

17. The resources needed for dealing with the complaints process have been maintained within current budgets.

Consultation

18. There has not been any consultation in relation to this report.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Members' code of conduct and complaints procedure	https://www.southwark.gov.uk/about-council/councillors-and-mps/councillors/code-conduct 160 Tooley Street PO Box 64529, London, SE1P 5LX	Constitutional team; constitutional.team @southwark.gov.uk

APPENDICES

No.	Title
Appendix A	Members' Code of Conduct Complaints 2021-2024

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown Assistant Chief Executive (Governance and Assurance)		
Report Author	Charles Meredith, Assistant Governance Lawyer		
Version	Final		
Dated	23 January 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments included
Assistant Chief Executive (Governance and Assurance)		Yes	Incorporated
Strategic Director of Resources		No	No
Cabinet Member		N/a	N/a
Date final report sent to Constitutional Team			23 January 2025

Appendix A

Members' Code of Conduct Complaints 2021-2024

Table 1 Outcomes

	2024	2023	2022	2021
Total number of complaints	5	3	10	6
No jurisdiction to deal with complaint	0	0	1	0
Insufficient information to deal with complaint	0	0	1	0
No further action at initial stage	0	1	0	0
No breach of code identified at initial stage	3	2	5	4
Local resolution by monitoring officer at initial stage	2	0	3	1
No breach found after investigation	0	0	0	0
Local resolution by monitoring officer after investigation- reported to sub-committee	0	0	0	1
Determined by sub- committee	0	0	0	0

Table 2 Source of complaints

	2024	2023	2022	2021
Member of the public	4	3	10	5
Other Southwark Councillor	1	0	0	1
Southwark Council officer	0	0	0	0

Meeting Name:	Audit, Governance and Standards Committee
Date:	3 February 2025
Report title:	Whistleblowing complaints and outcomes
Ward(s) or groups affected:	N/A
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Assistant Chief Executive (Governance and Assurance)

RECOMMENDATION

1. That the Audit, Governance and Standards Committee notes this report.

BACKGROUND INFORMATION

2. This report provides details of the whistleblowing referrals received by the council between October 2023 and September 2024 and an update on the outcomes of referrals received in the previous 3 years.
3. This report has taken a generic definition of whistleblowing to include not only those referrals from staff, external contractors, and agency workers (and subject to the Public Interest Disclosure Act 1998 which provides protection for staff and others when making whistleblowing disclosures) but also from members of the public and councillors. Anonymous referrals are also included.
4. The council's current whistleblowing policy was approved in June 2020 and is published on the council's website and on The Intranet. It was updated with some minor amendments in October 2024 to include details of a new statutory agency, Office for Environmental Protection A copy of the policy is attached at appendix 1. A full review of the policy will be undertaken this year.
5. What constitutes a whistleblowing issue is defined in the policy:
 - That a crime has been committed, is being committed, or is likely to be committed.
 - That a person has failed, is failing, or is likely to fail to comply with any legal obligation to which he or she is subject.
 - That a miscarriage of justice has occurred, is occurring, or is likely to occur.
 - That the health and safety of an individual has been, is being, or is likely

- to be endangered.
 - That the environment has been, is being or likely to be damaged.
 - That information tending to show any of the above matters has been concealed or is likely to be deliberately concealed.
6. Most local authorities receive a small number of referrals and Southwark is no exception. Work in recent years to increase awareness of the policy amongst staff has not resulted in a marked increase in referrals.
 7. This report has to strike a balance between the need for openness and transparency, and the requirement not to undermine the efficacy of the policy by deterring people from using it. It is important for the council to avoid the possible identification of any whistleblower and other individuals and/or jeopardising any ongoing investigations.

KEY ISSUES FOR CONSIDERATION

8. When cases are first received, they are assessed to see if they should be investigated as whistleblowing cases, or more properly dealt with under other procedures. These include:
 - Cases which should be dealt with under the council's fraud response plan
 - Cases which are more properly HR matters
 - Cases which are not the council's responsibility and should be referred to external bodies (including schools).
9. The number of referrals received in each period in the last year and then in the previous 3 years and the results of the initial assessment are shown in the table below.

Period from	Period to	Total Refs in period	Fraud response plan	HR	Ex-ternal bodies	Safe-guarding	Insufficient information to progress	Whistle blowing
01/10/2023	30/09/2024	5	0	0	0	1	0	4
01/10/2022	30/09/2023	3	0	1	0	1	0	1
01/10/2021	30/09/2022	10	1	2	0	0	1	6
01/10/2020	30/09/2021	5	0	2	3	0	0	0

10. Four cases has been received in the period 1 October 2023 to 30 September 2024 which has been initially identified as a 'whistleblowing' cases.
11. The referrals for the cases identified as whistleblowing cases were received from the following sources:

Period from	Period to	Employee	Member	Public	Employee of contractor or provider	Anonymous
01/10/2023	30/09/2024	1	0	0	2	1
01/10/2022	30/09/2023	0	0	0	0	1
01/10/2021	30/09/2022	3	0	1	2	0
01/10/2020	30/09/2021	0	0	0	0	0

12. These referrals were in respect of the following services:

Period from	Period to	Children & Adults	Governance and Assurance	Environment Neighbourhoods & Growth (previously Env & Leisure)	Finance (previously Finance & Governance)	Housing (previously Housing & Modernisation)
01/10/2023	30/09/2024	2	0	0	1	1
01/10/2022	30/09/2023	0	0	1	0	0
01/10/2021	30/09/2022	3	-	2	0	1
01/10/2020	30/09/2021	0	-	0	0	0

13. The referrals related to the following themes:

Period from	Period to	Safeguarding	Contracts	H&S	Employment	Inappropriate practices	Other
01/10/2023	30/09/2024	2	0	1	0	1	0
01/10/2022	30/09/2023	0	0	0	0	1	0
01/10/2021	30/09/2022	2	1	0	1	2	0
01/10/2020	30/09/2021	0	0	0	0	0	0

14. The outcomes of the investigations are shown in the table below (some of these were completed subsequent to the year within which they were commenced):

Period from	Period to	Whistle-blowing cases	Complaint not upheld	Dept. for action	Recategorised as a non-whistleblowing matter	Outstanding at the end of the period
01/10/2023	30/09/2024	0	1	2	1	0
01/10/2022	30/09/2023	1	0	0	0	1
01/10/2021	30/09/2022	6	2 ¹	0	0	4
01/10/2020	30/09/2021	0	0	0	0	0

15. Further details of the outcomes of the investigation completed in the year are as follows:

¹ In one case although the complaint was not upheld there were some recommendations made to the department regarding good practice

Number	Description of allegation	Outcome
WB2023-04	Claims regarding culture of discrimination, bullying, and abuse taking place within a team.	NFA as MO confident that issues already addressed by external review of service and new management underpinned by SST work.
WB2024-01	allegations regarding staff work at other location	Staff member spoken with; NFA.
WB2024-02	allegations of misconduct by contractor	NFA as safeguarding route determined to be correct route.
WB2024-03	allegations that former employee has leaked confidential information	NFA - The investigation concluded that there was no evidence to prove and most of the information was already in public domain.
WB2024-04	complaint regarding quality of PPE	NFA by MO; issues already addressed by contractor.

16. The committee will see that there are a small number of whistleblowing complaints each year and very few have resulted in further action being taken.

Policy framework implications

17. As stated in its whistleblowing policy, the council is committed to achieving the highest possible standards of service and ethical standards in public life. The policy enables council employees and others to raise concerns about services, contracts or other matters.
18. The policy also supports the Southwark 2030 values, by providing a path to ensure as a council we are open, honest, accountable, and transparent.

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

Community impact statement

19. Any whistleblowing complaint that is made will be handled in a way that gives consideration to the public sector equality duty in section 149 Equality Act 2010 i.e. to have due regard to the need to eliminate discrimination, advance equality of opportunity, and to foster good relations between people with protected characteristics and others. Any potential socio-economic and health impacts raised in any such complaint will also be given due regard.

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource implications

23. There are no direct resource implications in this report. Any investigations arising from whistleblowing complaints will be managed within relevant departmental budgets.

Consultation

24. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Assistant Chief Executive (Governance and Assurance)

25. Although there is no statutory obligation to have a whistleblowing policy, the law protects employees and others who make whistleblowing claims from being subjected to detrimental treatment as a result of any claim. It is therefore important that there is a process in place to deal appropriately with such claims. The council has also decided to include in the scope of its policy any individual (not just those employed or contracted by the authority) who wishes to report a concern about wrongdoing within the council. This report sets out details of the complaints that have been treated as whistleblowing cases in the last year and provides some comparative data from previous years.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Whistleblowing policy https://www.southwark.gov.uk/council-and-democracy/whistleblowing	Legal Services, Southwark Council, 160 Tooley Street, London SE1 2QH	Norman Coombe 020 7525 0373

APPENDICES

No.	Title
Appendix A	Whistleblowing Policy

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Assistant Chief Executive (Governance and Assurance)		
Report Author	Norman Coombe, Locum Specialist Governance Lawyer, Legal Services		
Version	Final		
Dated	13 January 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments sought	Comments included
Assistant Chief Executive (Governance and Assurance)		Yes	Yes
Strategic Director of Resources		No	No
Cabinet Member		No	No
Date final report sent to Constitutional Team			13 January 2025

Whistleblowing Policy and Procedure

June 2020

www.southwark.gov.uk

Introduction

If you have concerns about something that is happening at work which you think could be unlawful conduct, financial malpractice or be dangerous to the public or the environment, it is important that you know what you can do to bring it to the council's attention.

The council is committed to achieving the highest possible standards of service and ethical standards in public life and it is important to us that you are not worried about raising such issues and do not feel that reporting them is either not your business or would be disloyal to colleagues, managers or to the organisation.

It is also important that if you decide to say something that you know the appropriate way to do it.

Southwark Council introduced this Whistleblowing Policy and Procedure in line with the [Public Interest Disclosure Act 1998](#) ("the 1998 Act") to enable workers to raise issues of concern in an appropriate manner.

The term "worker" broadly includes:

- Employees
- Independent contractors
- Agency workers
- Trainees
- Anyone who is or was subject to a contract to undertake work or services for the council

We encourage all individuals to report any wrongdoing to the council; however, if you are not employed by the council you should also refer to your own employer's policy.

This policy is primarily for concerns where the well being of others or of the organisation itself is at risk. Please note this policy does not preclude the right of trades unions to directly approach management, the media, or outside bodies with information that could be regarded as whistleblowing.

Guidance for managers is included in [Appendix A](#).

Guidance for independent contractors, agency workers and anyone who is or was subject to a contract to undertake works or services, or for the supply of goods for the council who wish to raise a concern under this policy is included in [Appendix B](#).

Aims of the policy

This policy aims to:

- Encourage you to feel confident in raising concerns.
- Provide avenues for you to raise concerns and receive appropriate feedback.
- Ensure that you receive a response to your concerns and that you are aware of how to pursue them if you are not satisfied.
- Reassure you that you will be protected from any reprisals or victimisation by the council, if you have reasonable belief that the matter disclosed tends to show wrongdoing, that the disclosure is in the public interest and that you have made the disclosure in an appropriate manner.

Who is covered by the policy

- Employees of the council
- Agency workers
- Individuals undertaking work experience
- Employees of contractors to the council

Who can your concerns be about

- Employees
- Contractors and their employees
- Volunteers

What to raise concerns about

You should follow this policy and procedure to raise concerns which you have a reasonable belief to be in the public interest, and which you reasonably believe tends to show one or more of the following:

1. That a crime has been committed, is being committed, or is likely to be committed.
 - Examples might be child abuse, the abuse of any other vulnerable clients, modern slavery, human trafficking or theft.
 - Fraud: disclosures about fraud are dealt with separately under the fraud, bribery and corruption response plan, although if disclosure was made in accordance with this policy the monitoring officer remains responsible and any persons raising concerns have the same protection under the policy and the 1998 Act. Please note that suspicions of fraud which relate to the evasion of tax or the facilitation of tax evasion (whether UK tax or tax in a foreign country) should be dealt with through the anti-tax evasion policy - [Anti-fraud work \(including anti-tax evasion\) and National Fraud Initiative - Southwark Council](#).
2. That a person has failed, is failing, or is likely to fail to comply with any legal obligation to which he or she is subject – including contractors providing goods and services on behalf of the council.
3. That a miscarriage of justice has occurred, is occurring, or is likely to occur.
4. That the health and safety of an individual has been, is being, or is likely to be endangered.
5. That the environment has been, is being or is likely to be damaged.
6. That information tending to show any of 1 to 5 above has been concealed or is likely to be deliberately concealed.

When will raising a concern be “in the public interest”?

Raising a concern will be “in the public interest” if it is in the public good, or serves the interests of the public, but not simply because it is a matter the public are interested in. There are no “absolute rules” about what it is reasonable to view as being in the public interest. Relevant factors might include:

- The number of people affected by the issue;
- The nature and extent of the interests affected;
- The nature of the wrongdoing (particularly where it is alleged to be deliberate); and
- The identity of the alleged wrong doer.

What is relevant is whether the whistleblower (rather than any subsequent tribunal) thinks that disclosure is in the public interest and whether that belief was objectively reasonable at the time.

It is not acceptable for this Whistleblowing Policy to be used to further private disputes and make unfounded allegations for malicious or vexatious reasons.

Our assurances to you

To protect you

The Chief Executive and chief officers are committed to this policy. The council will not tolerate the bullying or harassment of any individual who raises concerns in the public interest under this policy and will take all reasonable steps to prevent this behaviour. Where the council fails to take such reasonable steps, the council acknowledges that it could be held responsible for any adverse or unfavourable treatment that you receive from another employee for raising concerns under this policy, and that any employee who bullies or victimises any individual for raising concerns under this policy could also be personally liable.

If such harassment or victimisation should occur, you should write to Doreen Forrester-Brown, Monitoring Officer, Southwark Council, 2nd floor, PO Box 64529, London, SE1P 5LX who will deal with the matter.

To protect your identity

However, we recognise that you may nonetheless want to raise a concern in confidence. If you ask us to protect your identity, we will not disclose it without informing you. If the situation arises where we are not able to resolve the concern without revealing your identity (for instance because your evidence is needed in court), we will discuss with you whether and how we can proceed.

Remember that if you do not tell us who you are, it will be much more difficult for us to look into the matter or to protect your position or to give you feedback. Accordingly, while we will consider anonymous reports, it will not be possible to apply all aspects of this policy for concerns raised anonymously.

How to raise a concern internally

Stage one

If you have a concern about malpractice, we hope you will feel able to raise it first with your manager. This may be done orally or in writing.

Stage two

If you feel unable for whatever reason to raise the matter with your manager under stage one, please raise the matter with the appropriate head of service for your service area, or else an appropriate specialist officer within the council as follows:

Head of Equalities
For equality issues

Evereth Willis 07743981019
evereth.willis@southwark.gov.uk

Head of HR Business Partnering

Peter Moorcock
Peter.Moorcock@southwark.gov.uk

Head of Health and Safety
For health and safety issues

Ben Hewitt 0207 525 4331
Ben.Hewitt@southwark.gov.uk

When you raise the matter, please say if you are doing this in confidence. The person you contact can then make appropriate arrangements.

Stage three

If stage one and/or two have been followed and you still have concerns, or if you feel that the matter is such that you feel you cannot raise it with your manager or head of service, for example because it concerns them or it is very serious, please write to Doreen Forrester-Brown, Monitoring Officer, Southwark Council, 2nd floor, PO Box 64529, London, SE1P 5LX. The monitoring officer can investigate concerns about the most senior officers.

How to raise concerns about fraud

Disclosures concerning fraud should be made to your manager, or to the relevant chief officer or to the council's Strategic Director of Resources (Paul Bergin Paul.Bergin@southwark.gov.uk, Fraud Manager, on 02075251261). Further information and advice can be found in the fraud, bribery and corruption response plan. It should be noted that if the disclosure is made under this policy the Monitoring Officer remains responsible and any persons raising concerns have the same protection under the policy and the 1998 Act.

How to raise concerns about other matters

The Whistleblowing policy is designed to sit alongside the other routes for raising concerns about the council including the Grievance and Complaints Procedures. To show the relationships a 'route map' for raising concerns is shown in Appendix C.

As a guideline, concerns, which should be raised through these routes, are as follows

- Employment related issues should be raised through the council's staff procedures.
- Concerns about councillors should be raised under the member officer protocol and ultimately the Audit, Governance and Standards Committee.
- Issues with provision of council services to the public should be raised through corporate complaints procedure.
- Safeguarding concerns should be raised through the council's safeguarding policy procedure.

Advice

If you are unsure whether to use this procedure or you want independent advice at any stage, you may contact:

- your trade union:
GMB 020 7525 2401 – [Link to GMB](#)
UNISON 0800 0857 857 – [Link to unison](#)
UNITE 020 7525 4824 – [link to unite](#)

The council recognises that employees may wish to seek advice and be represented by their trade union

representative when raising a concern under the policy, and acknowledges and endorses the role trade union representatives play in this respect. Trade union representatives acting in accordance with the policy and procedure will not suffer detriment in their employment with the council.

- the independent charity Public Concern at Work on 020 7404 6609. Their lawyers can give you free confidential advice at any stage about how to raise a concern about serious malpractice at work. See their FAQ [link to public concern at work](#)

How will we handle the matter

Once you have told us about your concern, we will take the following steps

- Look into it to assess initially what action should be taken. This may involve an internal inquiry or a more formal investigation.
- Write to you summarising your concern and setting out how we propose to handle it and provide you with details of the officer handling the matter and how you can contact him or her. We will always write to you at your home address unless you tell us not to.
- The investigations will be conducted on a strictly confidential basis and the subject of the complaint will not be informed unless and until it becomes necessary.
- We will give you as much feedback as necessary. However, please note that we may not be able to tell you the precise action we take where this would infringe a duty of confidence owed by us to someone else.
- Inform the monitoring officer that you have raised a concern under the Whistleblowing Policy and provide her with details of your complaint.
- The monitoring officer will keep a central record of all such complaints and where the complaint was not raised directly with her; keep a watchful eye on the progress of the investigation and of action taken.

External contacts

While we hope this policy gives you the reassurance you need to raise such matters internally, we would rather you raised a matter with the appropriate regulator than not at all. Provided you have evidence to back up your concern and a reasonable belief that raising it is in the public interest, you can also contact, for example:

- **Health and Safety Executive**, 2 Southwark Bridge, SE1 9HS. 0300 003 1647
- **Equality and Human Rights Commission**, Fleetbank House, 2-6 Salisbury Square, London EC4Y 8JX. 020 7832 7800
- **Children's Society**, Edward Rudolph House, 69 Margery Street WC1X 0JL 020 7837 4299
- **Ofsted – HM Chief Inspector of Schools**, Ofsted, Piccadilly Gate, Store Street, Manchester, M1 2WD. 0300 1233155 (whistleblowing hotline), Email: whistleblowing@ofsted.gov.uk
- **Care Quality Commission**, Citygate, Gallowgate, Newcastle upon Tyne NE1 4PA. 03000 616161 (whistleblowing hotline), Email: enquiries@cqc.org.uk
- **Office for Environmental Protection**, Wildwood, Wildwood Drive, Worcester WR5 2QT 0330 236 92109 (The Whistleblowing Team, Complaints, Investigations and Enforcement) Email whistleblowing@theoep.org.uk

If you do not feel able to raise your concern in the ways outlined above, you should consult the Public Interest Disclosure Act for information about other routes by which a disclosure may be made

Blowing the whistle to a prescribed person

If you decide to blow the whistle to a prescribed person rather than the council, you must make sure that you have chosen the correct person or body for your issue. A list of prescribed person and bodies is set out in the Department for Business Innovation and Skills "Blowing the whistle to a prescribed person – list of prescribed persons and bodies". You may also blow the whistle to your legal adviser, in the course of obtaining legal advice.

To make a disclosure relating to local authorities you may contact:

- The Comptroller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, London, SW1W 9SP 020 7798 7999

You may also contact the council's auditor, KPMG or by contacting Phillip Kent:
Philip.Kent@KPMG.co.uk, KPMG LLP, 15 Canada Square, London E14 5GL

Application of this policy to community schools

This policy does not apply to community schools.

Version control

This version noted by Audit Governance and Standards Committee 10.2.20

Update to Appendix B- agreed by Assistant Chief Executive (Governance & Assurance Oct 2023)

Update Office for Environmental Protection, as new prescribed body Oct 2024

APPENDIX A

WHISTLEBLOWING POLICY

GUIDANCE FOR MANAGERS ON RESPONDING TO A MATTER OF CONCERN RAISED BY AN EMPLOYEE

1. Business managers should ensure that employees are aware of the Whistleblowing Policy and know where it can be located.
2. If you receive a disclosure in respect of any of the matters set out under the heading 'What to Raise a Concern About' in the Whistleblowing Policy you must take the following action:
 - 2.1. Take the matter seriously and do not dismiss or belittle the information,
 - 2.2. Respect as far as possible the confidentiality of the employee, and adhere to the policy under the heading "To protect your identity" where the employee has specifically asked for confidentiality,
 - 2.3. Ensure that the employee understands the Whistleblowing procedure,
 - 2.4. Acknowledge the concern in writing within 3 working days,
 - 2.5. Discuss ways that the employee could be supported,
 - 2.6. Investigate the concern objectively, dealing with all parties with sensitivity and tact,
 - 2.7. Seek advice from the human resources team,
 - 2.8. Seek advice and involve other managers if appropriate,
 - 2.9. Set out clearly how the concern is to be taken forward,
 - 2.10. Ensure that notes are made and kept of the process followed, notes of discussions etc.,
 - 2.11. Keep informed the person raising the concern about the progress made and outcome of the investigation,
 - 2.12. Provide the monitoring officer with details of the concern and inform her about the progress and outcome of the investigations; and
 - 2.13. Seek guidance from the monitoring officer if you are uncertain whether the person raising the concern has a genuine belief that it is in the public interest.
3. Note that if the concern relates to fraud, you should report it to your chief officer (who is responsible for reporting all cases to the Strategic Director of Finance) in line with the fraud, bribery and corruption response plan. If it relates to suspected tax evasion, please report it to the Strategic Director of Finance in line with the anti-tax evasion policy.

APPENDIX B

WHISTLEBLOWING POLICY

GUIDANCE FOR EXTERNAL CONTRACTORS/AGENCY WORKERS

Stage one

If you have a concern about malpractice, we hope you will feel able to raise it first with your own manager. This should be done in accordance with your own company or agency's whistleblowing policy.

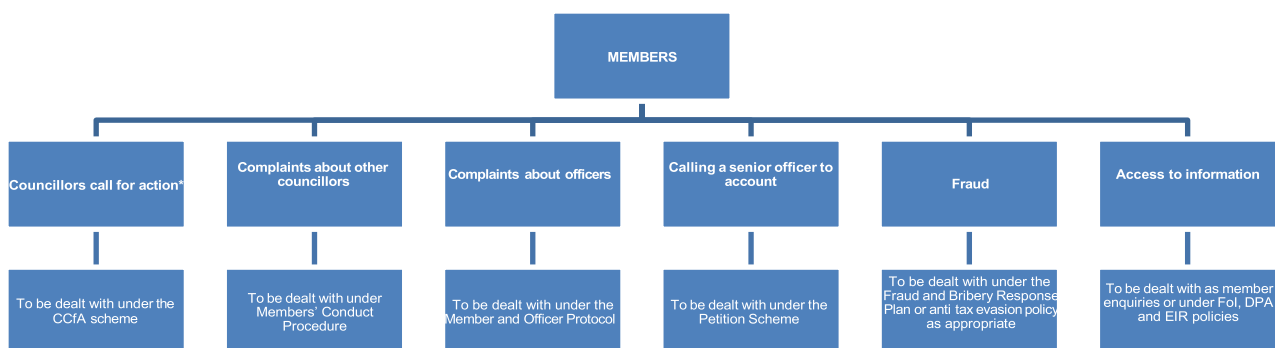
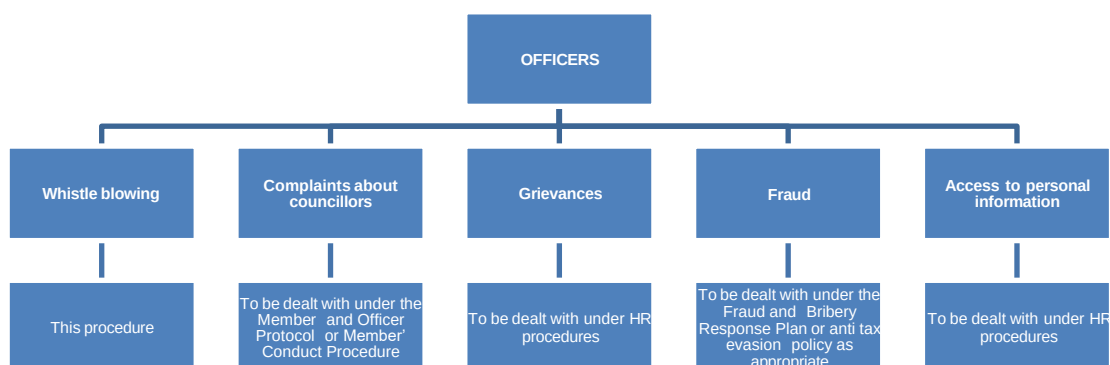
Stage two

If you feel unable for whatever reason to raise the matter with your own manager under stage one, please raise the matter with the appropriate specialist officer within the council as follows:

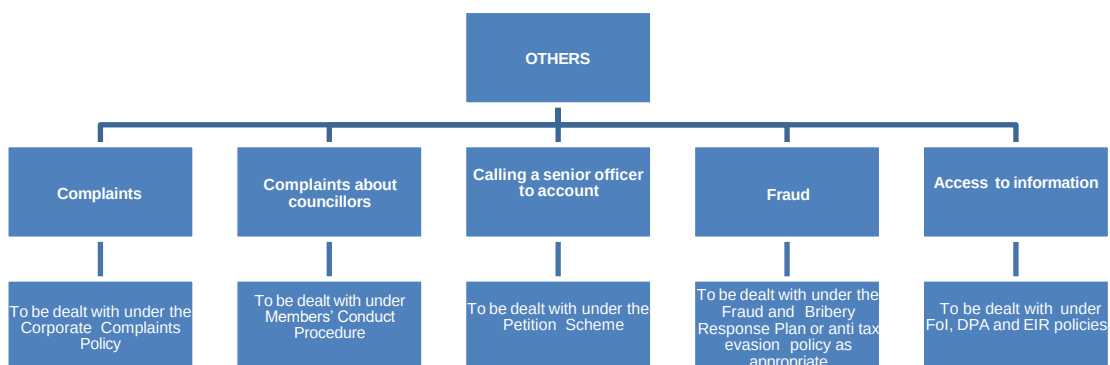
- Children and Adults
Jemima Strydom, Head of Compliance Ext 50521
or email CommissioningQuality@southwark.gov.uk for any whistleblowing concerns in the procuring or delivery of care for vulnerable children or adults [NB safeguarding concerns should be raised through the separate safeguarding procedures].
- For equality issues
Evereth Willis Evereth.Willis@southwark.gov.uk
- Head of HR Business Partnering
Peter Moorcock Peter.Moorcock@southwark.gov.uk
- For health and safety issues
Ben Hewitt Head of Health and Safety Ben.Hewitt@southwark.gov.uk
- Modern Slavery Issues
Stephen Douglass modernslavery@southwark.gov.uk
- Monitoring Officer
write to Doreen Forrester-Brown, Monitoring Officer, Southwark Council, 2nd floor, PO Box 64529, London, SE1P 5LX or email MonitoringOfficer@southwark.gov.uk

When you raise the matter, please say if you are doing this in confidence. The person you contact can then make appropriate arrangements.

APPENDIX C



* not including scrutiny



Meeting Name:	Audit, governance and standards committee
Date:	3 February 2025
Report title:	Report on the operational use of the Regulation of Investigatory Powers Act 2000
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	Not Applicable
From:	Assistant Chief Executive (Governance and Assurance)

RECOMMENDATION

1. That the committee notes the information relating to the use of RIPA in 2024.

BACKGROUND INFORMATION

2. The Regulation of Investigatory Powers Act 2000 (RIPA) puts a regulatory framework around a range of investigatory powers used by local authorities. This is done to ensure the powers are used lawfully and in a way that is compatible with the European Convention on Human Rights. It also requires, in particular, those authorising the use of covert techniques to give proper consideration to whether their use is necessary and proportionate.
3. RIPA legislates for the use by local authorities of covert methods of surveillance and information gathering to assist in the detection and prevention of crime in relation to an authority's functions.
4. The audit governance and standards committee and its predecessor committee has agreed to consider annual reports on the use of RIPA since 2010

KEY ISSUES FOR CONSIDERATION

5. The council's use of these powers is subject to regular inspection and audit by the Investigatory Powers Commissioner's Office in respect of covert surveillance authorisations under RIPA. During these inspections, authorisations and procedures are closely scrutinised and Authorising Officers are interviewed by the inspectors.
6. The council was last inspected by HH Brian Barker, Assistant Surveillance Commissioner, on 3 October 2016. The council was due to be inspected again in March 2020 but this did not take place due to the COVID public emergency.

A virtual inspection took place in 2021 by an inspector who examined the council's use of RIPA powers in relation to directed surveillance and using covert human intelligence sources (CHIS). The information provided demonstrated at the time a level of compliance that removed for the time being the requirement for a physical inspection.

7. A further virtual inspection took place in 2024 by an inspector who examined the council's use of RIPA powers in relation to authorising officers training and use of CCTV for directed surveillance. The IPOC's letter is included at Appendix C. No further inspection is due till 2027.
8. Local authority authorisations and notices under RIPA (Regulation of Investigatory Powers Act 2000) will only be given effect once an order has been granted by a Justice of the Peace. Authorisations are for three months and can only be extended with further judicial approval. Within the three month period they are subject to regular reviews (usually monthly) to ensure they are still required.
9. Additionally, local authority use of directed surveillance under RIPA has been limited to the investigation of crimes which attract a six month or more custodial sentence, with the exception of offences relating to the underage sale of alcohol and tobacco.
10. Appendix A shows the usage for the period 1 January 2024 to 31 December 2024. Appendix B shows the usage for the period 1 January 2016 to 31 December 2023 for comparison purposes.
11. Officers involved in the authorisation process are provided with relevant training approximately every two years. The last training occurred on 15 May 2024 where we organised three separate sessions using an external training provider. The sessions included: a Juvenile CHIS training session, a RIPA awareness course and a RIPA refresher course.
12. The council's RIPA policy and procedures were last fully reviewed in August 2019 with some updates to details of officers made in September 2022 and June 2024.

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

Community impact statement

13. The use of these powers under RIPA enhances the effective operation of statutory investigatory functions within a legal framework that ensures appropriate safeguards are met. These functions are directed at providing safeguards to the community at large but are often required to enable those who are vulnerable to be protected from criminal anti-social activity who may also have one or a number of protected characteristics as set out in the Equality Act 2010.

Equalities (including socio-economic) impact statement

14. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

Health impact statement

15. There are no specific identified health impacts resulting from the matters addressed in this report, so a health impact statement is not considered necessary.

Climate change implications

16. There are no specific climate change issues arising from the matters dealt with in this report.

Legal implications

17. The legal context is set out in the body of this report.

Financial implications

18. The use of RIPA powers are ancillary to investigations carried out in services and in the context of their own budgeted resources. No additional resources are identified as need from this report.

Consultation

19. No consultation has been carried out in compiling this report.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
The Constitution	http://www.southwark.gov.uk/YourCouncil/HowTheCouncilWorks/councilconstitution.html 2nd floor, PO Box 64529, London, SE1P 5LX	Constitutional team; constitutional.team @southwark.gov.uk

APPENDICES

No.	Title
Appendix A	1 January 2024 to 31 December 2024
Appendix B	1 January 2016 to 31 December 2023
Appendix C	IPCO's letter

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown Assistant Chief Executive (Governance and Assurance)		
Report Author	Charles Meredith, Assistant Governance Lawyer		
Version	Final		
Dated	13 January 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments included
Assistant Chief Executive (Governance and Assurance)		Yes	Incorporated
Strategic Director of Resources		No	No
Cabinet Member		N/a	N/a
Date final report sent to Constitutional Team			13 January 2025

APPENDIX A

Reference	Date authorisation agreed by JP	Purpose	Length of investigation
EN94	02.09.2023	Sale and supply of illicit tobacco	

APPENDIX B

Reference	Date authorisation agreed by JP	Purpose	Length of investigation
EN75	13.01.2016	surveillance concerning sale of unsafe food	Terminated 12.02.2016
EN76	13.01.2016	surveillance concerning sale of unsafe food	Terminated 12.02.2016
EN77	13.01.2016	surveillance concerning sale of unsafe food	Terminated 12.02.2016
EN78	13.01.2016	surveillance concerning sale of unsafe food	Terminated 12.02.2016
EN79	29.11.2016	sale of counterfeit tobacco	Terminated 23.01.2017
EN80	29.11.2016	Sale of counterfeit tobacco	Terminated 24.02.2017
EN81	24.03.2017	Surveillance concerning the supply of illegal lightening cosmetic products	Terminated 08.05.2017
EN82	13.07.2017	surveillance concerning prolific fly tipping	Terminated 12.10.2017
EN83	24.03.2017	surveillance concerning sale of illegal skin lightener	Terminated 08.05.2017
EN84	17.09.2018	surveillance of suspect suspected of selling illicit tobacco	Terminated 03.10.2018
EN85	15.08.2018	Surveillance of suspect suspected of selling illicit tobacco	Terminated 21.08.2018
EN86	It was decided to withdraw this application due to operational reasons before authorisation		
EN87	15.10.2018	Surveillance of suspect suspected of selling illicit tobacco	Terminated 13.12.2018
EN88	05.09.2019	Surveillance of suspect suspected of selling illicit tobacco	Terminated 11.12.2019
EN89	17.01.2020	Surveillance of suspect suspected of selling illicit tobacco	Terminated 17.3.2020
EN90	13.10.2021	Surveillance of suspect suspected of selling illicit tobacco	Terminated 10.01.2022

Reference	Date authorisation agreed by JP	Purpose	Length of investigation
EN91	27.10.2022	surveillance concerning sale of illegal skin lightener	Terminated 19.01.2023
EN92	It was decided to withdraw this application due to operational reasons before authorisation		
EN93	02.08.2023	surveillance of suspect suspected of selling illicit tobacco	Terminated 25.10.2023

IPCO

Authorisation & Oversight

PO Box 29105, London
SW1V 1ZU

Ms Althea Loderick
Chief Executive
London Borough of Southwark
By email

27th August 2024

Dear Chief Executive,

Thank you for providing IPCO with your response to the matters identified at points 1 to 10 of my Inspector's letter dated 11th June 2024.

I am grateful to Ms Doreen Forrester-Brown – Assistant Chief Executive – Governance and Assurance, who provided the additional information required.

I am satisfied that your reply provides your assurance that ongoing compliance with RIPA 2000 and the Investigatory Powers Act 2016 will be maintained. As such, your Council will not require further inspection this year.

I note that your staff have utilised the covert powers available on three occasions. Each directed surveillance authorisations (DSA) examined by my Inspector was found to have been well formed, with appropriate documenting of the statutory considerations.

Additionally, my Inspector was impressed with the continuing measures taken to provide RIPA training, RIPA policy revisions, and necessary checks on the use of social media by your staff.

I would ask that you ensure that the key compliance issues continue to receive the necessary internal governance and oversight through yourself and your Senior Responsible Officer: policy refreshes; annual updates to your Elected Members; ongoing training and awareness raising; internal compliance monitoring by lead managers within their business areas; and the retention, review and destruction (RRD) of any product obtained through the use of covert powers (Records and Product Management in accordance with the Safeguards Chapters of the relevant Codes of Practice).

Your Council will be due its next inspection in 2027, but please do not hesitate to contact my Office if IPCO can be of assistance in the intervening period.

Yours sincerely,

Brian Leveran

The Rt. Hon. Sir Brian Leveson
The Investigatory Powers Commissioner

Meeting Name:	Audit, Governance and Standards Committee
Date:	3 February 2025
Report title:	Annual report on the work and performance of the audit, governance and standards committee in 2024-25
Ward(s) or groups affected:	N/A
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Strategic Director of Resources

RECOMMENDATIONS

1. That the audit, governance and standards committee forward this report on its work and performance in 2024-25 to all councillors, subject to any amendments it wishes to make.

BACKGROUND INFORMATION

2. The purpose of this report is to review this committee's work and performance in 2024-25.
3. The audit, governance and standards committee's terms of reference include a requirement to report annually to all councillors on its work and performance during the year.
4. The aims of the report are to make councillors aware of the audit, governance and standards committee's work in relation to its audit, financial reporting, treasury management, governance and standards responsibilities, and to provide assurance on areas as covered or to identify any concerns.
5. This report also considers the effectiveness of the audit, governance and standards committee which forms a part of the review of internal audit, and which will in turn be reported as part of the review of the system of internal control, as required under the Accounts and Audit Regulations 2015.

KEY ISSUES FOR CONSIDERATION

Role of the committee

6. Audit committees are a key component of an authority's governance

framework. The purpose of the audit, governance and standards committee is to provide:

- Independent assurance of the adequacy of the council's governance arrangements, including its standards regime, the risk management framework and the associated control environment.
- Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
- Oversight of the financial reporting process.
- Scrutiny of the treasury management strategy and policies.
- Operation of a framework to promote and maintain high standards of conduct by councillors, co-opted members and church and parent governor representatives.

7. The CIPFA guidance on the purpose and core functions of audit committees is set out at Appendix A '*Position Statement: Audit Committee in Local Authorities and Police 2022*'. It is intended to supplement specific legislation, and is supported by the Ministry of Housing, Communities and Local Government (MHCLG) and represents CIPFA's view on the practice and principles that local authorities should adopt to make effective audit committee arrangements.
8. In line with the above, the committee's terms of reference are structured by reference to its key functions in terms of governance and standards, audit activity (internal and external), the accounts and treasury management. Since the new standards regime for councillors was introduced in 2012, the frequency and business for the standards committee had reduced, and there was no statutory requirement to have a standards committee. In May 2016 the standards committee was not re-established as a stand-alone committee, and its roles and functions were amalgamated with the audit and governance committee.
9. The audit, governance and standards committee agrees a work programme each year. A summary of the committee's business during 2024-25 in relation to its areas of responsibility is set out below.

Audit activity

Internal audit

10. The committee received and considered regular reports on the performance of internal audit undertaken by BDO and the outcome from its work during the year, as well as the 2023-24 internal auditors' annual report. The committee received separate reports from the corporate anti-fraud team and the special investigations team which are the council's in house team. .

External audit

11. The external auditor changed this year from Grant Thornton to KPMG. The committee thanked Grant Thornton for their work with the council, and

received a handover report finalising Grant Thornton's work in July 2024.

12. The committee received regular progress reports from KPMG as the external auditor throughout the year. It also considered KPMG's audit plans for 2024-25 for both the council and the Southwark pension fund, and the audit findings reports and annual audit letter for 2023-24.
13. The committee considered the external auditor's annual fees for 2024-25 for both the council and the Southwark pension fund, which are set by the Public Sector Audit Appointments company (PSAA), a subsidiary of the Local Government Association.
14. The external auditor has reported on their work for the financial year 2024-25 regularly.

Accounts

15. The committee considered and agreed the 2023-24 statement of accounts at its February 2025 meeting.

Governance and standards activity

16. The committee continued its approach to the consideration of governance matters for 2024-25. It completed the discussions with strategic directors on their departments' governance arrangements, and considered specific areas of interest.
17. In June 2024, Doreen Forrester-Brown, the assistant chief executive, governance and assurance, attended the committee. In September 2024, Toni Ainge, interim strategic director of environments, neighbourhoods and growth, attended. In November 2024, Rhona Cadenhead, interim assistant chief executive, strategy and communities, attended the committee. In February 2023, the committee heard from Hakeem Osinaike, strategic director of housing.
18. The committee have also had an in depth series of reports on the housing revenue account, IT and cyber security, the member enquiries service, and the proposed update of the members' code of conduct.
19. The work on corporate risk and insurance for 2024-25 has been reported to the committee.
20. The committee's annual report on whistle blowing outcomes has been considered by the committee at its February 2025 meeting.
21. A report on the council's use of RIPA (Regulatory Investigatory Powers Act) and the OSC (Office of Surveillance Commissioners) inspection of Southwark has been considered by the committee at its February 2025 meeting.
22. The establishment of the two standards sub-committees (civic awards and

conduct) were approved by the committee in July 2024. The committee continued its agreement from July 2018 that the number of co-opted community members on the civic awards sub-committee stand at four, and that the sub-committee be as gender balanced as possible; in that two of the community representatives serving on the sub-committee should ideally be women.

23. The Civic Awards 2025 were launched in December 2024, and include the Diversity Award championed by members of the audit, governance and standards committee, and the climate change award proposed by council assembly and agreed by the committee last year.

Treasury management

24. Members received a report on the revised treasury management policy statement, and considered the council's 2024-25 treasury management strategy statement in November 2024.

Effectiveness of the audit and governance committee

25. The Accounts and Audit Regulations require a review of internal audit to be carried out, including consideration of the effectiveness of this committee. An annual opinion is given by the head of anti-fraud and internal audit.

Development opportunities

26. The year saw the following principal achievements:
 - a) Coverage of all elements of the committee's work programme, including the successful inclusion of standards work into the responsibilities of the committee
 - b) Continued assurance of corporate governance arrangements, through discussions with the chief officer team and directors.
 - c) Further assurance as to the operation of the council's whistle blowing policy
 - d) Ongoing constructive challenge from members in respect of reports received by them
 - e) Relevant attendance by officers when required following any late responses to audit reports
 - f) Training for audit committee members on the statement of accounts.
27. Last year, the committee asked members to use the CIPFA self-assessment tool to inform development opportunities. This identified a need for training on the statement of accounts which was delivered to committee members in October 2024.

Conclusion

28. The committee's work programme aims to ensure that the committee is able to carry out its functions effectively. To this end, the programme is structured to cover the key areas of audit activity (both internal and

external), governance and standards activity, financial reporting and scrutiny of the treasury management strategy and policies.

29. The committee continued to ask questions on matters before it in a challenging yet constructive way. In some cases, this has resulted in further information being provided to the committee to provide the assurance sought; in others, it has resulted in increased focus on the implementation of action plans.
30. The committee has kept its work programme under review in 2024-25 and made changes when appropriate.
31. Through its work, the committee is able to confirm that:
 - The council's system of risk management is adequate to identify risk and to allow the authority to understand the appropriate management of those risks;
 - There are no areas of significant duplication or omission in the systems of governance in the authority that have come to the committee's attention and not been adequately resolved.
32. The work programme for the committee for 2024-25 is included elsewhere on this agenda for consideration and agreement, and this will be reviewed and amended on an ongoing basis as necessary to help to ensure that the committee can continue to provide assurance of the adequacy of the council's governance arrangements.

Policy implications

33. There are no policy implications in the proposals in this report.

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

Community impact statement

34. 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

35. There are no direct equalities implications in the proposals in this report.

Health impact statement

36. There are no direct health implications in the proposals in this report.

Climate change implications

37. There are no direct climate change implications in the proposals in this report.

Resource implications

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

Conclusion

39. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Resources

40. The strategic director of resources remains committed to the important role of the audit, governance and standards committee and notes that it continues to function in line with its terms of reference. The performance of the committee continues to be strengthened by the attendance of officers with key governance roles and it is expected that the committee will continue to obtain assurance of governance arrangements from this.
41. The committee has operated in accordance with its responsibilities in key finance and audit matters, including the statement of accounts, treasury policies, and internal audit work, which are key issues for the s.151 officer (Local Government Act 1972).

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
CIPFA Audit committees – Practical Guidance for Local Authorities and Police 2022 edition	Finance and Governance, Second Floor, Tooley Street	Geraldine Chadwick

APPENDICES

Number	Title
A	CIPFA Position Statement

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Geraldine Chadwick, Assistant Director of Finance		
Version	Final		
Dated	20 January 2024		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments sought	Comments included
Assistant chief executive – governance and assurance		No	No
Strategic director of resources		Yes	Yes
Cabinet Member		No	No
Date final report sent to Constitutional Team			20 January 2024



CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

Meeting Name:	Audit, Governance and Standards Committee
Date:	3 February 2025
Report title:	Annual work programme for the following year (2025-26)
Ward(s) or groups affected:	N/A
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Strategic Director of Resources

RECOMMENDATIONS

1. That the audit, governance and standards committee consider the proposed draft work programme for 2025-26 and whether they would wish to make amendments to arrangements as set out in paragraphs 8 to 10 of this report, or in respect of any other matters.
2. That the audit, governance and standards committee, subject to any requested changes, agree the work programme for 2025-26 set out in Appendix 2.

BACKGROUND INFORMATION

3. Since its establishment in March 2007, the committee has agreed a work programme for the forthcoming year. Amendments to the programme to take account of changing circumstances can be made throughout the year.
4. The purpose of this report is to set out possible areas of work for consideration to enable members to agree a programme for 2025-26.

KEY ISSUES FOR CONSIDERATION

5. In considering items for inclusion, it may be helpful to do this within the framework of the committee's purpose, as set out in the constitution. This is set out in the constitution to be:
 - Independent assurance of the adequacy of the council's governance arrangements, including the risk management framework and the associated control environment
 - Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment

- Oversight of the financial reporting process
 - Scrutiny of the treasury management strategy and policies
 - A framework to promote and maintain high standards of conduct by councillors, co-opted members and church and parent governor representatives.
6. The committee's terms of reference, as approved by council assembly, cover functions relating to audit activity, the regulatory framework, accounts, treasury management and the council's standards framework. They are attached at Appendix 1 as they may further help the committee to determine items to be included in its work programme.
 7. Using the 2024-25 revised work programme as a starting point, a draft programme for 2025-26 has been included at Appendix 2 for the committee's consideration. Items shown in brackets are standing items which will be brought forward as they arise. The draft programme is based on meetings of the committee being held in June 2025, July 2025, September 2025, November 2025, February 2026 and on to June 2026 in the 2026-27 year.

Areas of governance for review

8. From 2020-21 onwards, the committee have invited chief officers to attend and discuss departmental governance. The programme was suggested on the understanding that this would be likely to take two years to see all the chief officers
9. Members are asked to consider whether they would wish to continue this approach. If they do not wish to continue this approach, they are asked to identify an alternative approach to the review of governance.
10. It has been suggested that members consider whether there are specific areas of interest, potentially arising from internal audit updates, that they would welcome a more in-depth conversation on, as an alternative to or in addition to the current governance conversations with chief officers.
11. There remains a need to ensure flexibility in terms of emerging issues which come to light through items already on the committee's agenda. For example, a review of audit recommendations and progress on their implementation may highlight a need to request the attendance of individuals at a future meeting to help explain action taken. The work plan itself is a guideline, and items can be amended, added, or removed as required throughout the year.
12. Items have been grouped in line with its functions, in order to ensure that there is appropriate coverage of the committee's key roles as defined in its terms of reference.
13. Training will continue to be provided for members on the role of the committee,

and development needs will continue to be monitored to enable appropriate training to be provided as opportunities arise.

14. The committee is asked to consider whether the attached draft work programme reflects its priorities for the next year or whether there are other amendments which it would wish to see included.

Policy implications

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

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

Community impact statement

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Consultation

21. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

22. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix 1	Extract from the constitution – Part 3K Audit and governance
Appendix 2	Draft work programme for 2025-26

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer		
Version	Final		
Dated	20 January 2024		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments sought	Comments included
Assistant Chief Executive – Governance and Assurance		No	No
Strategic Director of Resources		No	No
Cabinet Member		No	No
Date final report sent to Constitutional Team			20 January 2024

APPENDIX 1**Extract from the constitution – Part 3K Audit and governance committee****ROLE AND FUNCTIONS****Introduction**

The purpose of the audit, governance and standards committee is to provide:

1. Independent assurance of the adequacy of the council's governance arrangements, including its standards regime, the risk management framework and the associated control environment.
2. Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
3. Oversight of the financial reporting process.
4. Scrutiny of the treasury management strategy and policies.
5. A framework to promote and maintain high standards of conduct by councillors, co-opted members and church and parent governor representatives.

Audit activity

6. To approve the internal audit charter
7. To approve the risk based internal audit plan, including resource requirements.
8. To approve any significant proposed advisory services, additional to those included in the audit plan.
9. To receive information on the appointment, departure, resignation or change in chief audit executive.
10. To receive in-year summaries of internal audit and anti-fraud activity and the internal audit annual report and opinion and to consider the level of assurance it can give over the council's corporate governance arrangements.
11. To receive reports dealing with the management and performance of the provider of internal audit services, including the performance of the chief audit executive.
12. To receive reports from internal audit on agreed recommendations not implemented within a reasonable timescale.

13. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
14. To consider specific reports as agreed with the external auditor.
15. To comment on the scope and depth of external audit work and to ensure it gives value for money.
16. To have oversight over the appointment of the external auditor.
17. To commission work from internal and external audit.

Accounts

18. To review and approve the annual statement of accounts and specifically to consider compliance with appropriate accounting policies and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
19. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Treasury management

20. To review and scrutinise the treasury management strategy and policies.

Governance activity

21. To review any issue referred to it by the chief executive or a strategic director, or any council body.
22. To monitor the effective development and operation of risk management in the council.
23. To monitor the effective development and operation of corporate governance in the council and to agree actions necessary to ensure compliance with best practice.
24. To monitor council policies on 'whistle-blowing', the 'corporate anti-fraud strategy' and the council's complaints processes.
25. To receive reports from the statutory officers under the council's whistle blowing policy.
26. To provide strategic oversight on the use of the powers regulated by the Regulation of Investigatory Powers Act 2000 and to receive in-year reports on operational use.

27. To oversee the production of and agree the council's annual governance statement.
28. To review the council's compliance with its own and other published standards and controls.
29. To receive reports on retrospective contract related decisions as set out in contract standing orders.
30. To receive reports from the monitoring officer on any serious breach of the contract standing orders or procurement guidelines.

Standards activity

31. To advise the council on the adoption or revision of the members' code of conduct, the member and officer protocol and the communication protocol.
32. To monitor the operation of the members' code of conduct, the member and officer protocol and the communication protocol.
33. To monitor and advise on training provided for councillors, co-opted members and church and parent governor representatives.
34. To deal with any standards related complaints referred to it and any report from the monitoring officer on any matter which is referred to him or her.
35. To receive reports from the monitoring officer on unlawful expenditure and probity issues.
36. To consider the withholding of allowances from individual members (including elected members and co-opted members) in whole or in part for non-attendance at meetings, or, for elected members only, for failure to attend required training.
37. To establish the following sub-committees:
 - to consider complaints of misconduct against elected councillors and co-opted members
 - to consider civic awards.

Annual report

38. To report annually to all councillors on its work and performance during the year.

MATTERS RESERVED FOR DECISION

Matters reserved for decision by the main committee

39. The matters reserved for decision to the committee are as set out in the role and functions, other than those functions delegated to the relevant sub-committee.

Matters reserved for decision by the conduct sub-committee

40. To consider complaints of misconduct against elected councillors and co-opted members.

Matters reserved for decision by the civic awards sub-committee

41. To grant civic awards.
42. To consider the process by which the decisions with respect to civic awards applications are to be taken and to make recommendations to the standards committee.
43. To appoint non-voting co-opted members of the civic awards sub-committee.

APPENDIX 2

Draft Work Programme for 2025-26

Items shown in brackets (✓) are standing items which will be brought forward if they arise

Item		Meeting date						Commentary
		June 2025	July 2025	Sept 2025	Nov 2025	Feb 2026	June 2026	
	General							
Annual work programme for following year		(✓)	(✓)	(✓)	(✓)	✓	(✓)	Draft work programme for the committee (to be updated as required throughout the year) – Constitutional Officer
Annual report of audit, governance and standards committee						✓		Report on committee’s work and performance to be submitted to all councillors each year – Constitutional Officer
	Internal Audit activity							
Internal audit plan and strategy for internal audit, Internal audit charter						✓		Proposed internal audit programme for future years, and to agree the internal audit charter – Strategic Director of Resources
Annual report and opinion on internal audit and anti-fraud		✓						Including review of effectiveness of system of internal audit and Strategic Director of Resources’ opinion on system of internal control and report on internal audit contractor and Strategic Director of Resources (chief audit executive) performance, and annual progress report

Item	Meeting date						Commentary
	June 2025	July 2025	Sept 2025	Nov 2025	Feb 2026	June 2026	
							on the anti-fraud services and special investigations team - Fraud manager
Progress report on the work of internal audit and anti-fraud		✓	✓	✓	✓	✓	Issues raised and progress on implementation of recommendations, including approval of any significant additional advisory services – Strategic Director of Resources
External Audit activity							
Audit fee letters (including pension fund)	✓						Annual external fee letters setting out indicative fees and planned work/outputs for the relevant year for the council and pension fund – external auditors
Audit plans (including pension fund)					✓		External audit plans setting out audit work to be undertaken for audit of financial statements for the council and pension fund, including approval of any significant additional advisory services – external auditors
Value for Money report (annual audit letter) (KPMG)	✓						Annual audit letter (AAL) providing a summary of the external auditors' assessment of the council for the year, drawing from audit of financial statements and work undertaken to assess VfM – external auditors

Item	Meeting date						Commentary
	June 2025	July 2025	Sept 2025	Nov 2025	Feb 2026	June 2026	
Audit findings reports (ISA 260) – including pension fund)			✓				Annual governance report (AGR) summarising findings from external audit of financial statements and work to assess VfM arrangements – external auditors
Audit update report	(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Standing item – update on work being planned or undertaken – external auditors
Governance and standards activity							
Annual governance statement (with accounts)	✓		✓				A mandatory statement setting out the council's governance arrangements – Assistant Director of Finance
Retrospective approvals to contract decisions	(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Standing item, if required – contract standing orders require retrospective contract decisions over £100k for the purpose of obtaining guidance to inform future decision making – Assistant chief executive, governance and assurance
Risk management and insurance					✓		Report on key risks – Corporate risk and insurance manager
Housing revenue account update		✓					Requested by members for 2025-26 – Director of Finance
Enterprise Resource System Progress Update		✓		✓			As requested, periodic updates to Committee on the progress in the implementation of the Council's new HR &

Item	Meeting date						Commentary
	June 2025	July 2025	Sept 2025	Nov 2025	Feb 2026	June 2026	
							Finance system – Strategic Director of Resources
Cyber security update	✓					✓	Update from Nov 2024, including third party suppliers' information – Chief digital and technology officer
Progress report on implementation of external audit recommendations		✓					Progress made in implementing external audit recommendations (including audit findings) – Strategic Director of Resources
Outcomes of the whistleblowing policy				✓			Annual report to consider outcomes of the whistleblowing policy – Director of Law and Democracy
Review of complaints made under Code of Conduct					✓		Annual report on complaints made under Code of Conduct – Head of Corporate Team
Report on operational use of Regulation of Investigatory Powers Act 2000					✓		Annual report on use of powers under RIPA – Head of Corporate Team
Review of member and officer protocol and communications protocol				✓			Annual review of protocols, with recommendations for changes as needed – Head of Corporate Team
Establishment of sub-committees	✓ (after annual CA)						Report to establish conduct and civic award sub-committees in line with committee's role and functions – Principal Constitutional Officer

Item	Meeting date						Commentary
	June 2025	July 2025	Sept 2025	Nov 2025	Feb 2026	June 2026	
Appointment of non-voting members of the civic awards sub-committee					✓		Report to appoint the non-voting co-opted members of the civic awards sub-committee – Principal Constitutional Officer
Member induction and training		✓		✓			Report on member induction and training (pre-election years and if required in other years) – Assistant chief executive, governance and assurance
Areas of governance for review during year		(✓)	(✓)	(✓)	(✓)		To invite officers to attend meetings to discuss governance arrangements
Corporate governance framework	(✓)	(✓)	(✓)	(✓)	(✓)	(✓)	Standing item – to include e.g. council policies within remit of audit, governance and standards committee; other areas as identified: pensions governance; code of governance
Accounts							
Statement of accounts	✓	✓					Annual statement of accounts for consideration and approval – Strategic Director of Resources
Treasury Management							
Review of the policy and strategy				✓			Review of treasury management policy and strategy – Strategic Director of Resources

Meeting Name:	Audit, Governance and Standards Committee
Date:	3 February 2025
Report title:	Appointment of non-voting co-opted members of the civic awards sub-committee for 2024-25
Ward(s) or groups affected:	N/A
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Head of constitutional services

RECOMMENDATIONS

1. That the committee considers the nominations for the positions of co-opted members of the audit, governance and standards (civic awards) sub-committee outlined in closed Appendix 1 and agree to select three of the nominations plus the position held for the Civic Society.

BACKGROUND INFORMATION

2. The Southwark civic awards scheme was initiated in 1997 for the purposes of recognising exceptional contributions to community life by individuals and organisations in the borough. Up until 2015, the scheme was administered on behalf of the council by the Southwark Civic Association which made recommendations to standards committee for the granting of civic awards.
3. Council assembly on 8 July 2015 resolved that from the 2015/2016 civic year, the administration of the civic awards be carried out by the council pending a longer term review of the operation of the awards scheme. Officers were requested to put in place the necessary arrangements for the running of the awards within existing council resources. Council assembly in 2016 also resolved that the decisions on the granting of civic awards be delegated to a sub-committee of the audit, governance and standards committee.
4. The audit, governance and standards committee agreed at its meeting of 14 July 2016 that the membership of the audit, governance and standards (civic awards) sub-committee (henceforth "civic awards sub-committee") must include four co-opted members, two of whom should be women.
5. On 24 November 2024, the audit, governance and standards committee agreed criteria for selecting co-opted members:

Invitees should:

- Have a good understanding of the borough and its diverse communities
- Be familiar with the borough's Voluntary and Community Sector (VCS)
- Be able to understand and evaluate nominations for Civic Awards
- Not be a nominee or represent an organisation that is nominated.

As a group, the independent members should:

- Have a gender balance
- Reflect the cultural and ethnic diversity of the borough
- Include at least one person under 25.

6. It is necessary for the audit, governance and standards committee to appoint the co-opted members formally; and the names of the volunteers will be presented in the closed appendix.

KEY ISSUES FOR CONSIDERATION

7. The granting of awards is a constitutional function of the audit, governance and standards (civic awards) sub-committee and members have the final discretion whether or not to grant an award. Members also have a particular responsibility to safeguard the non-political nature of the awards scheme.
8. Members need to be satisfied that the co-opted membership nominations meet the appropriate criteria.

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

Community impact statement

9. The council is committed to promoting civic engagement and good relations in our communities. The awards attract media interest and recognise the voluntary work of a number of people and organisations within Southwark, thus strengthening community cohesion.

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource implications

13. There are none.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Southwark Constitution	Constitutional Team 2nd floor, 160 Tooley Street London, SE1 2QH http://moderngov.southwark.gov.uk/ieListMeetings.aspx?Committeed=425	Virginia Wynn-Jones 020 7525 7055

APPENDICES

Appendix	Title
Appendix 1	Nominees – see CLOSED AGENDA

AUDIT TRAIL

Lead Officer	Chidi Agada, Head of constitutional services		
Report Author	Virginia Wynn-Jones, Constitutional team		
Version	Final		
Dated	22 January 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments Included
Assistant chief executive – governance and assurance		No	No
Strategic director of resources		No	No
Cabinet Member		No	No
Date final report sent to Constitutional Team			22 January 2025

COMMITTEE: AUDIT, GOVERNANCE AND STANDARDS COMMITTEE (OPEN AGENDA)

NOTE: Original held in Constitutional Team; all amendments/queries to Virginia Wynn-Jones, Constitutional Team on 020 7525 7055 or virginia.wynn-jones@southwark.gov.uk

COPIES**COUNCILLORS**

Councillor Barrie Hargrove (Chair)	1
Councillor Maggie Browning	By email
Councillor Dora Dixon-Fyle	By email
Councillor Nick Johnson	By email
Councillor Graham Neale	1
Councillor Andy Simmons	1
Councillor Michael Situ	By email

RESERVES

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

OTHER COUNCILLORS

Councillor Stephanie Cryan	By email

GOVERNANCE AND ASSURANCE

Sarah Feasey	By email
Doreen Forrester-Brown	1

COMMUNICATIONS

Eddie Townsend	By email

CONSTITUTIONAL TEAM

Virginia Wynn-Jones	3

INDEPENDENT PERSONS

Ms Natasha Jindal	By email
Ms Amrit Mangra	By email
Mr Gary Roberts	By email

FINANCE

Clive Palfreyman	By email
Tim Jones	By email
Geraldine Chadwick	By email
Amarjit Uppal	By email
Ashleigh Jones	By email

BDO (Internal Auditors)

Aaron Winter	By email

KPMG

Via Finance	By email

Total Print Run:**7**

List Updated: Nov 2024