

Audit, Governance and Standards Committee

Monday 8 September 2025
6.30 pm

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

Membership

Councillor Barrie Hargrove (Chair)
Councillor Ellie Cumbo
Councillor Dora Dixon-Fyle MBE
Councillor Adam Hood
Councillor Graham Neale
Councillor Andy Simmons

Reserves

Councillor Maggie Browning
Councillor Gavin Edwards
Councillor Nick Johnson
Councillor Margy Newens
Councillor David Parton
Councillor David Watson

INFORMATION FOR MEMBERS OF THE PUBLIC

Access to information

You have the right to request to inspect copies of minutes and reports on this agenda as well as the background documents used in the preparation of these reports.

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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: 29 August 2025



Audit, Governance and Standards Committee

Monday 8 September 2025

6.30 pm

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

Order of Business

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PART A - OPEN BUSINESS

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

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. CONFIRMATION OF VOTING MEMBERS

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

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

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

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

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

5. MINUTES

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To approve as a correct record the minutes of the open section of the meeting held on 14 July 2025

Item No.	Title	Page No.
6.	ELECTION OF VICE-CHAIR	
7.	GOVERNANCE CONVERSATION: STRATEGIC DIRECTOR ENVIRONMENT, SUSTAINABILITY & LEISURE	5 - 16
	Aled Richards, strategic director environment, sustainability & leisure, to attend the committee.	
8.	REPAIRS & MAINTENANCE UPDATE	
	To follow	
9.	INTERNAL AUDIT PROGRESS REPORT SEPTEMBER 2025	17 - 40
10.	2025-26 HALF YEAR REPORT OF THE CORPORATE ANTI-FRAUD TEAM AND THE SPECIAL INVESTIGATIONS TEAM	
	To follow	
11.	ANNUAL GOVERNANCE REPORT 2024-25	41 - 75
12.	IN YEAR REVIEW OF WORK PROGRAMME 2025-26: SEPTEMBER 2025	76 - 84

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: 29 August 2025



Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Monday 14 July 2025 at 6.30 pm at Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

PRESENT: Councillor Barrie Hargrove (Chair)
Councillor Ellie Cumbo
Councillor Dora Dixon-Fyle MBE
Councillor Andy Simmons
Councillor Michael Situ

OFFICER SUPPORT: Clive Palfreyman, strategic director of resources
Paul Bergin, corporate anti-fraud manager
Tim Jones, director of corporate finance
Aaron Winter, BDO
Amarjit Uppal, chief accountant
Humphrey Thompson, deputy chief accountant
Virginia Wynn-Jones, constitutional team

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Adam Hood, and Angela Mason-Bell, BDO.

2. CONFIRMATION OF VOTING MEMBERS

The members present were confirmed as the voting members.

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

There were none.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

5. MINUTES

The minutes of the meeting on 2 June 2025 were agreed as a correct record.

6. 2025-26 Q1 REPORT OF THE CORPORATE ANTI-FRAUD TEAM AND THE SPECIAL INVESTIGATIONS TEAM

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

Officers undertook to ensure the SIT team circulated an email summary of the 44 tenancies' issues to members of the committee.

RESOLVED:

That the audit, governance and standards committee noted the 2025-26 Q1 report of the Corporate Anti-Fraud Team (CAFT) and the Special Investigations Team (SIT).

7. INTERNAL AUDIT PROGRESS REPORT JULY 2025 AND FINAL ANNUAL REPORT AND STATEMENT OF ASSURANCE

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

RESOLVED:

1. That the audit, governance and standards committee noted the update reports, as attached at Appendix A and B of the report.
2. That the audit, governance and standards committee noted the annual report and statement of assurance 2024-25, as attached at Appendix C of the report.

8. PROGRESS ON IMPLEMENTATION OF AUDIT 2023-24 RECOMMENDATIONS

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

RESOLVED:

That the committee noted the progress on implementation of recommendations made by the external auditors, KPMG, in their annual reports for the 2023-24 statement of accounts and Pension Fund (appendix A of the report). Specific actions are recorded against itemised recommendations are set out in appendix B of the report.

9. GOVERNANCE REVIEW: RESOURCES DEPARTMENT

Clive Palfreyman, strategic director of resources, attended the meeting. Members had questions for the strategic director.

The committee thanked the strategic director for attending.

10. SOUTHWARK DRAFT UNAUDITED STATEMENT OF ACCOUNTS 2024-25

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

RESOLVED:

That the committee noted the draft unaudited statement of accounts 2024-25 (appendix B of the report). These will be presented to the committee again later in November alongside the audit opinion for formal approval.

11. DRAFT ANNUAL GOVERNANCE REPORT 2024-25

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

RESOLVED:

That the audit, governance and standards committee noted the draft Annual Governance Statement (AGS) 2024-25 as attached at Appendix A of the report.

12. COMPLIANCE WITH CIPFA FINANCIAL MANAGEMENT CODE

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

RESOLVED:

The committee noted the report.

13. HOUSING REVENUE ACCOUNT UPDATE

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

Officers undertook to bring information from housing about the void policy to the committee by email.

Officers undertook to raise the committee's questions with the housing department.

RESOLVED:

That the committee note the report.

14. IN YEAR REVIEW OF WORK PROGRAMME 2025-26: JULY 2025

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

Officers undertook to include items in future agendas this year on:

- Complaints and customer service, including member enquiries
- Housing asset management

Members undertook to consider which areas of a department were of specific interest to them before each governance conversation, to allow the relevant chief officer to bring a guided update for the committee.

Following the committee meeting, it was noted that the chief executive will be unable to attend the September meeting, so this will be rearranged in discussion with the chair.

RESOLVED:

That the audit, governance and standards committee noted the proposed work programme for 2025-26.

Meeting ended at 8.00 pm

CHAIR:

DATED:

Environment, Sustainability and Leisure: Governance Discussion

Audit, Governance and Standards Committee, September 2025

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Agenda Item 7

Who are we?

Climate Change and Strategic Support

Leads the borough's response to climate change, seeking to decarbonise buildings, attract investment and work towards delivering the borough's ambitious set of climate targets. This division also includes two support teams – Programmes & Change and Performance & Delivery – who drive change and innovation, and ensure the department runs in a well-managed way, with a clear business plan aligned to corporate priorities, strong governance and well-defined business processes.

Stronger Neighbourhoods

includes the community safety team, community support team who deliver services to support vulnerable residents, including those seeking asylum and refuge, and others at risk and the neighbourhoods team, which supports the council's approach to neighbourhoods including securing investment and supporting local communities.

Environment, Sustainability and Leisure

ESL delivers a wide range of highly visible services. It has a significant number of front-line staff (approximately two thirds of 1,700 staff), embedded in Southwark's communities. The department helps neighbourhoods to thrive as clean, safe, energised and healthy places.

Environment

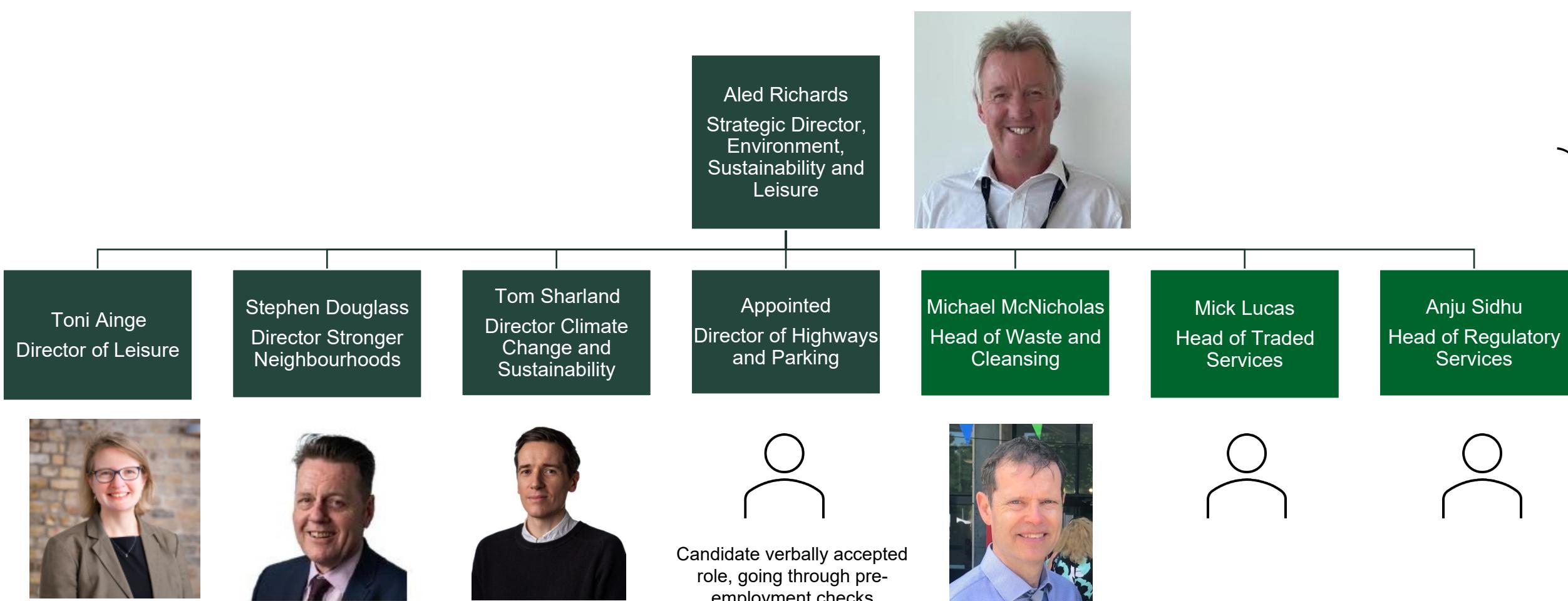
Keeping streets clean and well lit, highways and public realm safe and well-maintained. Leading the delivery of the borough's ambitious Streets For People programme. Includes the regulatory services teams, including protecting private renters, enviro-crime and enforcing food safety, health and safety and trading standards.

Leisure

Award winning parks, modern sports and leisure services (insourced in 2023), vibrant libraries, youth and adventure play services, a marina, the bereavement service, and a strong cultural offer - celebrating the proud history, artistic talent and rich diversity of Southwark

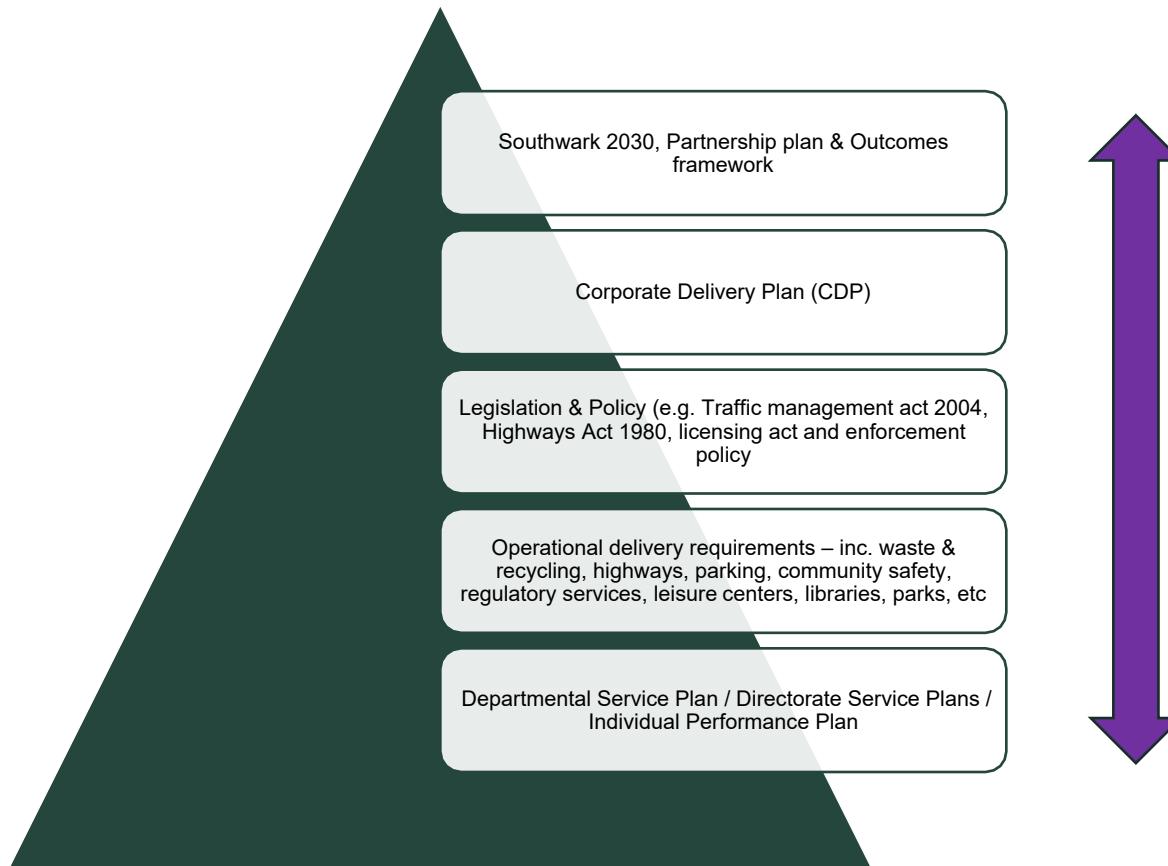
Who is our senior leadership team

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Direction of ESL

The ESL department derives its priorities, targets and measures from a combination of political and corporate priorities, policy and legislation, and operational requirements. Key drivers include:



Priorities - Leisure

- **Leisure Strategy** – across all services including leisure centres, libraries, parks & natural environment, culture, youth & play (from 2026)
- **Leisure centres** – opening CW leisure centre; continued capital investment (including decarbonisation work) and increasing market share to ensure LBS centres rival commercial leisure provision; Balance of commercial with accessibility and preventative programmes – linking to public health agenda; Free Swim and Gym?
- **Parks and NE/capital programmes** – playground improvements (including Nursery Row, Peckham Rye AP, Dulwich Village, Goose Green, Little Dorritt, GMH); Park improvements (including Dr Harold Moody & Peckham Rye toilets, Brimington Sports Hub); biodiversity; supporting climate agenda; right to grow; welcoming and well-used green spaces; tree planting (post 100,000th tree); asset management; retendering of Grounds Maintenance and Tree contracts (2027/8); South Dock Marina Health and Safety works.
- **Libraries, youth & culture** – libraries innovation programme (linked to leisure strategy and savings); continued innovation of youth offer to expand programme, reach and appeal (including DCMS programme); appointment of Canada Water theatre operator; Brandon and Dulwich Library capital projects; retendering of film location contract and review of events approach.

Priorities – Stronger Neighbourhoods

- **Neighbourhoods**- Extensive programme of consultation and engagement over the Summer on neighbourhoods, community plans (and Neighbourhood CiL for the future)
- **Community Safety** -Women's Safety Centre delivery (February 2026) and VAWG contract procurement/service/system transformation (Bede House now commissioned)
- **Community Safety** - Implementing the outcome of the Community Safety Review and Integrated Place Based approach in key hotspots (Peckham, Aylesbury, Burgess Park, North Walworth) - September Cabinet
- **Community Safety** - Single flexible warden service that is data and insight led focusing resources on tackling hotspots for crime and anti-social behaviour (ASB)
- **Community Safety** - Refreshing the Partnership Community Safety Plan - 5 key priorities – Violence, Drugs, VAWG, Trust & Confidence and ASB
- **Refugees** - Implementing the Comprehensive review of the NRPF (No Recourse to Public Funds) service to drive efficiencies/reduce cost while ensuring vulnerable migrants who are destitute receive support

Priorities - Environment

- **Regulatory Services Environmental Enforcement** - Strengthened enforcement linked to Place Management and Community Safety, supported by additional external resources at no cost to the Council.
- **Regulatory Services Private Sector High-Rise Enforcement** - Increased inspections and remediation efforts, aligned with Southwark's Building Safety Programme.
- **Regulatory Services Private Sector Housing Licensing** - Review underway to assess the effectiveness of current schemes and evidence for continuation of existing or adding new schemes
- **Regulatory Services Licensing Policy Review** - Statutory update of Southwark's Licensing Policy, covering alcohol, regulated entertainment, and late-night refreshment. And addressing ASB
- **Regulatory Services Air Quality Strategy and Action Plan** - Statutory update of Southwark's Licensing Policy, covering alcohol, regulated entertainment, and late-night refreshment. And addressing ASB
- **Parking Services and Network Management - implementation of lane rental scheme on principal roads** - Change in permitting of temporary works on traffic sensitive streets in the borough
- **Waste & Cleaning - improving and maintaining Waste PFI contract performance** - Increase the recycling rate and retain status of highest recycling rate amongst inner London boroughs, reduce waste, maintain high level of waste recovery, maintain low level of missed waste collections
- **Waste & Cleaning - Waste Management Strategy** - Development of a new Waste Management Strategy for the period from 2026 to take into account expected changes in waste regulations, including Extended Producer Responsibility, Emissions Trading Scheme, Simpler Recycling and Deposit Return Scheme.

Priorities - Environment

- **Waste & Cleaning - waste management improvements on estates** - Implementation of pilot project taking actions to improve waste management arrangements on seven Housing estates, for example to provide more waste bin capacity which will avoid overflows and increase the amount of waste that is recycled, also to provide location-specific information to residents about how to dispose of and recycle their waste correctly.
- **Waste & Cleaning - 'A Cleaner Southwark' Place Management Programme** - Delivering a new transformational approach to sustainably tackle street and estate cleanliness issues, including fly tipping, littering and graffiti. The approach focuses on collaborative working, involving Council and external partner services and local residents and businesses, to drive the required behaviour change, through stakeholder engagement, education and enforcement; and investing in physical infrastructure improvements to design out problem 'hot spot' areas.
- **Waste & Cleaning - Cleaning Service front-line staff facilities** - Deliver better facilities for front line staff including improvements to welfare facilities at Sandgate and refurbishments to 15 estate-based mess rooms.
- **Traded Services** - EV Infrastructure procurement, policy, design, and roll-out programme.
- **Traded Services** - Fleet procurement and roll-out across multiple service users.
- **Traded Services** – Street Lighting central management system installation. Including dynamic lighting consultation and policy.

Priorities – Climate Change and Strategic Support

- **Climate Change Strategy & Action Plan:** Combined Climate Change Strategy & Climate Adaptation and Resilience Strategy, refreshed Climate Action Plan and annual progress report to be taken to Cabinet in September 25.
- **Reduce the council's direct emissions from buildings and transport:** target to reduce operational emissions by 50% by 2026. 18% achieved in first three years. Focus of work on operational buildings, in particular leisure centres, with £9.5m of external funding secured through the government's Public Sector Decarbonisation scheme (PSDS).
- **Strengthen the council's internal working on climate change:** Delivery of climate hub on intranet, launch of staff/member climate change training module and increase focus on procurement and council's scope 3 emissions.
- **Customer Service delivery:** Ensure that the departments customer service function is delivering quality response within SLAs. Actively monitor performance and work with services to improve performance. Provide guidance and advice on completing FOI, ME's and complaints. Ensure iCasework system is completed correctly.
- **Improved data visualisation:** Provide senior leadership with visualised data to support conversations with members and make improved data lead decision making. Design and deliver a dashboard, alongside quarterly newsletter, to better improve members understanding of the key issues within each ward.
- **Service review programme:** Following Parks & Natural Environment review, deliver reviews in Libraries and Leisure centres.
- **Southwark Stands Together (SST) programme:** Following launch of the 2025/26 action plan, continue the roll out of the Let's Talk About Race video series across the department, the GROW talent development programme in Waste and Cleaning (cohort one ending in December 25), and, in collaboration with the Southwark Disability Advocacy Network, co-deliver the reasonable adjustments review project.

Audit and Governance Standards

Members – ESL currently have the following Cabinet /

Deputy Cabinet members (DCM):

- Cllr Jasmine Ali (Deputy Leader and Children, Education & Refugees)
- Cllr Natasha Ennin (Community Safety and Neighbourhoods)
- Cllr James McAsh (Clean Air, Streets & Waste)
- Cllr Portia Mwangangye (Leisure, parks and young people)
- Cllr John Batteson (Climate Emergency, Jobs & Business)
- Cllr Margy Newens (DCM – Cleaner Southwark)
- Cllr Joseph Vambe (DCM - Neighbourhoods)

Formal Governance

- Council Assembly
- Cabinet
- Overview and Scrutiny Committee
- Audit, Governance and Standards Committee
- Medium Term Financial Planning Process
- Regulatory and legislative frameworks

Informal Governance

- Leader's Board/ SPB
- Political Cabinet
- Lead Member Briefings
- Lead Member 1:1s
- CMT
- DMT/ 1:1s / SMT

Strategic key risks and mitigation (snapshot)

Risk	Risk description	Mitigations
Services	Changing climate could severely impact the borough in providing essential services for residents (e.g. over-heating)	Working to embed climate resilience and adaptation work into the design and provision of key council services. Work is at early stages following adoption of strategy in 2024.
Data Breach	Data is shared as part of the FOI/SAR process that sometimes contains sensitive information. Reputational Risks/ICO fines	Full programme of mandatory training for all staff roles connected with handling personal data. Full annual review of processes and instructions connected with data handling.
Loss of contractor	Ability to undertake crucial service compromised	Regular meetings with incumbent contractor to resolve any contractual matters. Existing contracts provides notice period to allow for alternative arrangements to be put in place.
Industrial dispute leading to loss of services	Potential crucial front line services impact	Contractors has well-developed trade union engagement processes in place to address industrial matters Council has Departmental Liaison Committee in place to address industrial matters.
IT Failure	IT (incl. databases, customer front end, operative access) failure	Supported by corporate programmes and risk management
Challenge to recruit and retain staff	Shortage of skilled staff in the profession	<ul style="list-style-type: none"> Prioritised stabilising workforce - working with HR, OD and Matrix to plan and deliver on short-term and long-term objectives; Continue to work with OD, and HR on staff development and pathways into the professionals.
Rapid changes in central govt. policies	Govt. policy is subject to rapid change leading to Southwark having to mount rapid responses; make adjustments to the operation of existing schemes; and/or step-down projects in a short amount of time	Regular engagement with central govt. departments, London Councils, GLA and other networks and forums to keep abreast of changes; using existing grants funding to resources the various service streams and build in resilience within the operational and strategic teams; capturing lessons learned to aid in future responses.
Funding	Funding gaps in achieving key departmental priorities	Work with finance to identify key areas where funding may be issue and take the appropriate actions to address. Look to divert funding away from non-priorities.
Reduced budgets & income	Reduced income streams, reduced income value, reduced internal budgets	Divisional programmes to reduce expenditure, increase productivity and off-set any losses with new work streams / income - linked to corporate MTFS processes
Loss of grant funding for externally funded services	External grants expire and funds cannot be replaced.	Regular engagement with grant funding bodies via strategic partnerships and senior management to influence funding policy and horizon-scan for change. Ensure grant conditions reflect the duration of the funding and does not commit the Council beyond that timeframe.
Failure to meet financial projections putting pressure on the budgets	Income generating areas of the business with expected income projections, which can be negatively impacted by wider economic or environmental conditions which result in targets not being met.	Regular monitoring and forecasting, early identification of issues and capture via the Risk & opportunities log in the monitoring report, value engineering where feasible of required, review of other business areas
Failure to realise savings	The Department fails to realise its saving requirements putting further constraints on the budget.	Regular monitoring and forecasting, and early identification of issues. Early development of mitigation plans.

Checks and measures - if something were to go wrong, how would we know?

Performance	Incidents	Customer feedback
Weekly DMT's	Incident reporting escalation	FOI's
1-2-1's	Emergency response protocols	Members Enquires
CDP reporting		Complaints
Business plan reporting		Service Requests
Financial reporting		
LMB's		
Project Boards		

Meeting Name:	Audit, governance and standards committee
Date:	8 September 2025
Report title:	Internal audit progress report September 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.

BACKGROUND INFORMATION

2. This report informs the Audit, Governance and Standards Committee of:
 - The results of the remaining audits relating to the 2024-25 internal audit plan, approved by the Committee on 5 February 2024.
 - Work undertaken to date on the 2025-26 internal audit plan, approved by the Committee on 3 February 2025.

Policy framework implications

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

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

Community impact statement

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

significant health impact.

Further guidance

7. None required.

Climate change implications

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

Resource implications

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

Consultation

10. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

11. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix A	Internal audit progress report September 2025
Appendix B	Internal audit progress report: Supplementary report – follow up status details

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources	
Report Author	Aaron Winter, Angela Mason-Bell, BDO	
Version	Final	
Dated	28 August 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	28 August 2025	

London Borough of Southwark

Internal Audit Progress Report

For presentation to the Audit, Governance and Standards Committee 8 September 2025



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1. Summary of 2025/26 work

Internal Audit

This report informs the Audit, Governance and Standards Committee of:

- The results of the remaining audits relating to the 2024-25 internal audit plan, approved by the Committee on 5 February 2024.
- Work undertaken to date on the 2025-26 internal audit plan, approved by the Committee on 3 February 2025.

The report summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised.

Our work complies with Global Internal Audit Standards in the UK Public Sector.

As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.



Internal audit methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in Appendix 1 of this report and are based on us giving either 'substantial', 'moderate', 'limited' or 'no' opinion. 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.

Internal audit plan 2024/25

In respect of the 2024/25 internal audit plan, all audits have been completed and draft or final reports have been issued, as 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 plan 2025/26

We are making good progress in the delivery of the audit plan and the status of work completed to date and planned is outlined within section four of this report.

Internal audit schools programme 2025/26

The schools below have been agreed with the Children Services Leadership Team identified for a cyclical audit, the delivery of which will be completed across the Autumn and Spring terms:

- Albion Primary School
- Cherry Garden School
- Dulwich Wood Nursery School
- Kintore Way
- St John's Roman Catholic Primary School (3669)
- Dulwich Village Church of England Infants' School
- English Martyrs' Catholic Primary School
- St James The Great Roman Catholic Primary School
- Beormund Primary School
- St Saviour's and St Olave's Church of England School (follow up)

The schools below have been identified for inclusion in the thematic review of pensions arrangements, which is planned for the Autumn term:

- Friars Primary School
- Victory School
- Haymerle School
- Southwark Park
- Tuke School
- Riverside
- Grove Children & Family Centre
- Dulwich Wood Primary School

We have also been requested to carry out a grant audit relating to DfE Bursary Funds received by St Thomas Apostle School & Sixth Form College, which is also planned to take place in the Autumn term.

Follow up of recommendations

Of the 226 high and medium recommendations relating to 2022-23 to 2024-25 that have fallen due as of 20 August 2025, we have confirmed with reference to evidence that 215 have been fully implemented or superseded. This result represents an overall implementation rate of 95.1%.

Summary information on the status of recommendations is included in section five of this report and further details on recommendations not yet implemented in full are included in our supplementary report.

Non internal audit plan work completed since the last meeting

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

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

2. Completion 2024/25 work

The table below summarises the outcomes of the remaining audits relating to the 2024-25 internal audit plan. Where final reports have been issued, the executive summaries are included in section 4.

AUDIT	DIRECTOR / SPONSOR	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Children and Adult Services / Integrated Health and Care						
Foster Carers	Director, Children & Families	✓	✓	Draft Report 30 July 2025		
Environment, Leisure and Sustainability						
Highways Maintenance	Director, Environment	✓	✓	Final Report	M	M
Waste Contract	Director, Environment	✓	✓	Draft Report 31 July 2025		
Governance and Assurance						
Workforce Governance	Director, People and Organisational Development	✓	✓	Draft Report 18 August 2025		
Housing						
Housing Applications & Allocations	Director, Housing Needs and Support	✓	✓	Final Report	M	M
Resources						
Accounts Payable	Director, Customer and Exchequer Services	✓	✓	Final Report	M	S

3. Review of 2025/26 work

The table below summarises the status of the audits relating to the 2025-26 internal audit plan. When final reports are issued, the executive summaries will be included in section 4.

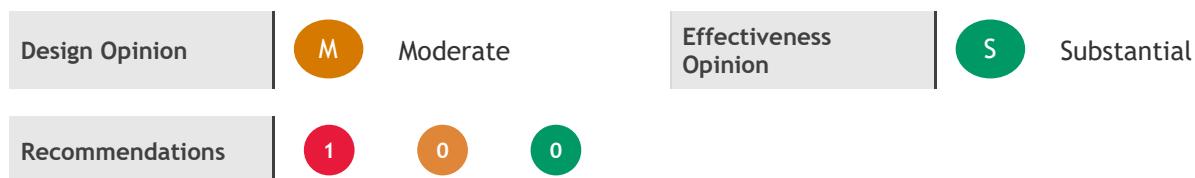
AUDIT	DIRECTOR / SPONSOR	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Children and Adult Services / Integrated Health and Care						
Adopt London Partnership	Director, Children and Families	Draft ToR		Q3		
Hospital Discharges	Director, Adult Social Care		✓	Q3		
Nursing and Residential Care	Director, Adult Social Care	Draft ToR		Q2		
Public Health - 0 to 19	Director, Public Health	Final ToR		✓		
School Admissions	Director, Children and Families		✓	Q3		
Short Breaks and Respite Care	Director, Adult Social Care	Draft ToR		Q2		
Social Care Contract Management	Director, Integrated Commissioning		✓	Q3		
Summerhouse	Director, Children and Families	Draft ToR		Q2		
Teachers Pensions Service	Director, Children and Families	Final ToR		✓	✓	
Travel Assistance	Director, Children and Families		✓	Q2		
Waiting List Management	Director, Adult Social Care	Draft ToR		Q3		
Environment, Leisure and Sustainability						
CCTV	Director, Environment		✓	Q4		
Commercial Waste	Director, Environment	Final ToR		✓		
Culture and Events	Director, Leisure		✓	Q3		
Estates Lighting	Director, Environment	Draft ToR		Q2		
No Recourse to Public Funds	Director, Stronger Neighbourhoods	Draft ToR		Q3		
South Dock Marina	Director, Leisure	Final ToR		Q4		

AUDIT	DIRECTOR / SPONSOR	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Trading standards, food safety and health & safety	Director, Environment	Draft ToR	Q3			
Governance and Assurance						
Corporate Facilities Management	Director, People and Organisational Development	Final ToR	✓			
Equalities, Diversity, and Inclusion / Southwark Stands Together	Assistant Chief Executive, Governance and Assurance	Draft ToR	Q2			
Health and Safety	Director, People and Organisational Development	✓	Q3			
Payroll	Director, People and Organisational Development	Draft ToR	Q2			
Housing						
Asset Management Systems	Director, Repairs and Maintenance	✓	Q4			
Building Safety	Director, Landlord Services	✓	Q3			
Commercial Properties - Garages	Director, Landlord Services	✓	Q4			
Temporary Accommodation	Director, Housing Needs and Support	Draft ToR	Q3			
Tenancy Management Organisations	Director, Landlord Services	Draft ToR	Q3			
Resources						
Capital Expenditure Management	Director of Corporate Finance	✓	Q4			
Contract Management	Head of Procurement	✓	Q4			
Key Financial Systems - Accounts Payable / Mosaic	Director of Customer and Exchequer Services	✓	Q3/Q4			
Key Financial Systems - Accounts Receivable	Director of Customer and Exchequer Services	✓	Q3/Q4			
Key Financial Systems - Reconciliations	Director of Customer and Exchequer Services	✓	Q3/Q4			

AUDIT	DIRECTOR / SPONSOR	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
IT - Application (line of business Tier 1 system)	Chief Digital and Technology Officer	✓		Q3		
IT - Back Up and Restoration	Chief Digital and Technology Officer	Final ToR	✓			
IT - Cyber Security-Vulnerabilities Management	Chief Digital and Technology Officer	✓		Q3		
IT - Major Incident Response/Business Continuity	Chief Digital and Technology Officer	✓		Q4		
Pensions Administration	Head of Pensions Operations	✓		Q3		
Procurement	Head of Procurement	✓		Q4		
Strategy and Communities						
Communications and Media	Director of Communications, Engagement and Change	Final ToR	✓	Draft Report 18 Aug. 2025		
Change Management / Future Southwark	Programme Director, Future Southwark	✓		Q3		
Performance Monitoring	Director of Communications, Engagement and Change	✓		Q4		
Voluntary Sector Grants	Director of Communications, Engagement and Change	Final ToR	✓			

4. Executive summaries

ACCOUNTS PAYABLE

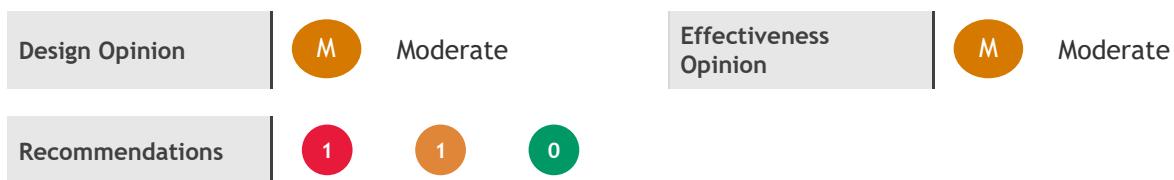


 PURPOSE	<p>To provide continuing assurance on the adequacy of the design and operational effectiveness of internal controls in managing accounts payable processed via SAP, to ensure that they are promptly and effectively brought into use. We included a review of the effectiveness of the processes relating to supplier (vendor) set up and amendments, raising and approval of purchase orders, payment processing and approvals.</p>
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 AREAS OF STRENGTH	<ul style="list-style-type: none"> ▶ We confirmed that the new vendor process encompassed comprehensive verification of vendor information, including checks for duplicates and existing vendors. It incorporated clear segregation of duties. Documentation and final approval requirements prior to the new vendor being paid were clearly stated. For a sample of new vendors and those where there had been changes to bank accounts, we confirmed that all requirements had been followed. ▶ We confirmed that a robust process was in place to mitigate the risk of duplicate payments. Through the performance of our data analytics, we did not find any duplicate invoice payments indicating that the control was operating as intended. ▶ The Council implemented a 'No PO, No Pay' system in July 2024 with the aim of ensuring that purchase orders are not raised retrospectively. We did not find any issues with our samples that were raised and paid after July 2024. Therefore, we consider that the new system is indicatively operating as intended. ▶ There was a trend analysis undertaken of the performance of the Council across quarters across average days to pay suppliers, payment within 30 days, value of invoices paid, and number of invoices paid. This forms a solid foundation for control from a corporate perspective. However, responses from departments need to be strengthened (as reported in the areas of concern section). ▶ From our review of a sample of automated invoice payment plans, we found that special purchase orders were established in advance. SAP generated payments on time, and these payments were processed accurately and promptly. ▶ From our review of a sample of direct payments made (which do not involve a purchase order) we confirmed that the documentation supported the payments, and all were authorised in accordance with the Scheme of Management, ensuring segregation of duties between the requester and authoriser.
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 AREAS OF CONCERN	<ul style="list-style-type: none"> ▶ Quarterly reports are submitted for review to the Senior Finance Managers and Business Managers for duplicate payments and late payments to vendors. The reports are not signed off and there was no evidence of action taken in response to the exceptions reported. ▶ We found a high incidence of invoices paid late i.e. more than 30 days after the receipt of the invoice. There is no central information to ascertain whether financial penalties have been incurred by departments and the values of those penalties.
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HIGHWAYS MAINTENANCE



PURPOSE

To provide assurance over the adequacy and operational effectiveness of the contract management arrangements and the monitoring and validation of data provided to facilitate the performance indicators and payments relating to Lot A of the Southwark Highways Works Contract (SHWC).



AREAS OF STRENGTH

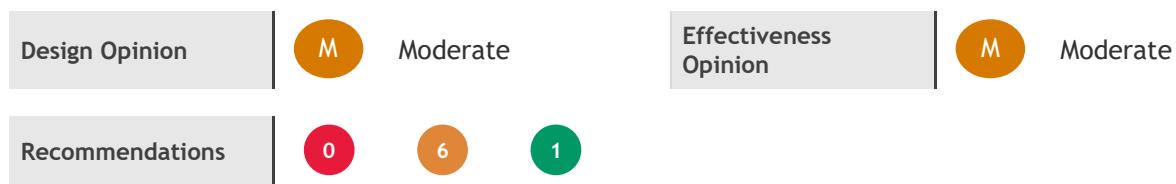
- ▶ We confirmed that the uplifted prices for Lot A contract Schedule of Rates, 6204 prices for minor works were approved and applied to the highways asset management system, Confirm before the start of the financial year 2024-25.
- ▶ There was a comprehensive winter service policy for 2024-25 and maintenance plan developed in December 2024 in line with the Highways Infrastructure Asset Management Plan (HIAMP), which outlined the Council's approach to maintaining highways assets, available to the public via the Council's Website.
- ▶ Planning for Lot A emergency, reactive and planned works was based on a Network Hierarchy and Inspection regime, an established risk-based methodology. The work programme was updated for 2024-25 to reflect some new requirements, such as new adopted roads, cycle routes, and structures. Our review of a sample of works and paid invoices found that all were supported by detailed key baseline works data in the Confirm system. Where jobs did not meet the required priority timeframes or were incomplete or defective, we confirmed that the jobs were recalled, and if necessary, were rolled forward to the following month. Such cases were clearly itemised in the invoices to ensure they were not duplicated.
- ▶ The coding of jobs to cost codes was checked to confirm the accuracy of coding in the year to date. Variances on individual costs centres were identified and explained. From our review of the latest budget figures we concluded that revenue spend was on track to deliver Lot A works within the total budget set for 2024-25. Budget reports for Lot A were collated with Lot B budget as part of the highways monthly programme reporting to Highways senior management and copied to senior management Finance to as a basis for oversight.



AREAS OF CONCERN

- ▶ The Highways Infrastructure Management Plan (HIAMP) and suite of supporting documents, were not current (dated 2018) and the highways maintenance scheme of delegation was dated 2022 and associated segregation of duties were found to be out of date and not adhered to or enforced.
- ▶ KPIs set to measure contractor performance were not being met in four key areas: percentage of emergency call outs attended and appropriately actioned on time, quality of workmanship, site compliance and operative compliance. There was no remedial plan to address the performance issues highlighted in a timely manner.
- ▶ Contractor meeting minutes continued to report that the Lot A site and live site audits percentage rates need to be improved (as of December 2024, site audits were 8.2% and live site audits 1.5% of completed jobs). Our review identified there are no targets set to drive the required improvement. Our review also identified that there were no follow-up procedures, timelines for the reinspection of incomplete or defective works previously identified during audits.
- ▶ Training records were not maintained up-to-date or available to confirm that New Roads and Street Works Act (NRSWA) accredited.

HOUSING SOLUTIONS - APPLICATIONS AND ALLOCATIONS



PURPOSE

To provide assurance over the allocation of housing, including the application of the Council's allocation policy and waiting list management.



AREAS OF STRENGTH

- ▶ New build developments (eg Flaxyard: 57 Peckham High St) implemented local lettings plans to focus on prioritising local estate tenants and homeless households. In addition, our review of a sample of direct offers confirmed that there was sufficient documentation supporting who authorised them, and the particular circumstances for each case being made outside of the choice based letting system.
- ▶ An updated Temporary Accommodation policy was approved by Cabinet on 7 January 2024. A final draft Homelessness and Rough Sleeping Strategy 2025-2030 and accompanying action plan was presented for Cabinet approval on 17 June 2025. This highlights the Council's commitment to maintaining fair allocation through lettings plans, including annual and local components, to safeguard access for homeless residents.



AREAS OF CONCERN

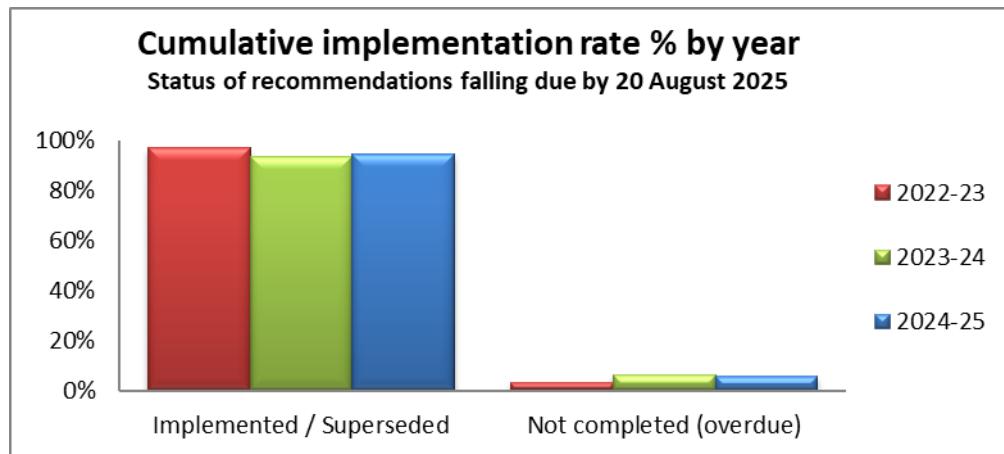
- ▶ Comprehensive and up-to-date housing allocations policy and procedural guidelines specifying the precise eligibility criteria and applicant documentation required for each banding and priority "star" were not readily accessible to housing officers.
- ▶ Our review identified that six out of a sample of 10 applicant's Council Tax and rent payment histories had unchecked boxes so we could not confirm that verification checks had been carried out when the applicant's position in the register was qualified or escalated.
- ▶ The Scheme of Management was out of date following a significant management restructure in Q4 2024-25 and did not identify which officers could properly approve a payment plan for Council tax and rent arrears prior to a housing application being processed.
- ▶ We found one case where statutory overcrowding was "a deliberate act" such as defined by Part X of the Housing Act 1985 under part 7 of the Housing Act 1996 was not clearly evidenced, with varying explanations across documents.
- ▶ Our review of a sample of five additional priority "stars" awarded within Band 1 identified four discrepancies. Applicants were awarded an additional priority within band 1 to escalate the applicant's position on the housing waiting list without robust supporting evidence and a clear audit trail.
- ▶ Our review of a sample of six applicants that had been subject to reduced priority identified three applications with information discrepancies. Only one was passed to the Fraud team to clarify whether the applicant had provided false information or withheld material facts. The Fraud & Verification Referral Process had not been subject to review in more than five years.
- ▶ Comprehensive staff training and development records were not maintained.

5. Summary of recommendations status

Of the 226 high and medium recommendations relating to 2022-23 to 2024-25 that have fallen due as of 30 June 2025, we have been able to confirm with reference to evidence that 208 have been fully implemented or superseded. This result represents an overall implementation rate of 95.1%.

Several recommendation target dates 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.



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

6. Added Value / Sector Updates

For additional information, we have summarised below the value added elements incorporated into the audits where the reports have been finalised since the last meeting, along with a summary of BDO briefing notes and sector updates that the Committee might find useful.

Accounts Payable - Data Analytics Results

- ▶ We obtained a list of vendors on Council's system as of 31 December 2024 and noted that there were 1654 suppliers on the file. We found that there were no suppliers with the same vendor number or the same address.
- ▶ We found that there were nine bank account details that belonged to more than one supplier. There were 594 suppliers whose bank details were missing. We were informed by the management that these were tenants who the Council had paid who did not want to give their bank details.
- ▶ We further obtained a list of employees on Council's payroll to confirm that their bank details did not match that of a supplier. We found three exceptions where the employee bank details were the same as that of a supplier. We were advised that:
 - One of them was an employee who left in 2016 who was providing work as a Governor's clerk which started in 2024.
 - For one instance, the employee was a Leaving Care supporter for ages 16+.
 - For one instance, the bank details did not appear on the Council's system on investigation by the management. They further confirmed that no payments were made to the bank account.
- ▶ No findings were raised from the above results.
- ▶ From our analysis of the invoice payments, we found 12,590 instances where the invoices were paid 30 days after the date of the invoice. This issue was raised within our high rated finding.

Housing Solutions Applications and Allocations - Annual Lettings Plan 2024-25

- ▶ The Annual Lettings Plan (ALP) 2024-25 was approved by the Cabinet Member for Council Homes on 24 April 2024. This outlines the Council's strategic approach to allocating available social housing tenancies in the context of a significant budget shortfall and increasing housing demand. The ALP 2024-25 aimed to prioritise lettings to households in greatest need, reduce reliance on costly temporary accommodation, and maximise the efficient use of limited housing stock.
- ▶ Our review identified that a key driver of the ALP 2024-25 was the need to address a projected £13.8 million deficit in the Housing Revenue Account (HRA) for 2024-25. In response, the Council introduced measures such as increasing direct offers of permanent housing to households in temporary accommodation, with an estimated in-year saving target of £4.8 million. However, amid legal challenges, the Council acknowledged that the policy was contrary with its stated principles of transparency and reduced bidding opportunities for applicants.
- ▶ The ALP 2024-25 also reflected wider financial pressures, including rising repair and maintenance costs, fire and building safety compliance requirements, inflation in the construction sector, and restrictions on social rent increases. HRA reserves have declined over the past two years to £15 million—just 6.5% of total spend—which raised concerns about long-term financial sustainability.
- ▶ In summary, while the ALP 2024-25 aimed to manage significant financial pressures within its housing service, the Council agreed to suspend the ALP and in Spring 2025 launched the public consultation on a revised Housing Allocations Scheme, aiming to replace the suspended ALP with a legally compliant alternative (ie a new/revised Housing Allocations Scheme).
- ▶ Since the Consultation ended around 1 June 2025, Council officers have been reviewing the feedback. Cabinet approval of the new/revised Housing Allocations Scheme is expected to take place in September 2025.

Data Use and Access Act - Change in UK Legislation

- ▶ BDO has published an article that sets out the main changes and how this might impact organisations, which is available on the BDO website: [The UK Data Use and Access Act \(DUAA\) 2025 - BDO](#)

BDO - Global Risk Landscape

- ▶ This report examines the attitudes of 500 global risk leaders to a range of emerging and evolving risks such as Artificial Intelligence (AI), cyber-attacks, and supply chain, and offers practical takeaways to manage risks. The theme and title of this year's report is "The risk rift: why playing safe means losing growth" which highlights a big mistake in risk management - focusing too much on compliance rather than the bigger picture of risk. By shifting from a compliance-first to a risk-first mindset, businesses can take advantage of greater strategies to navigate and leverage risks for growth and opportunity. It is available on the BDO website: [Global Risk Landscape | Risk Management - BDO](#)

Pension Scheme Reform

- ▶ Street cleaners, school cooks and other dedicated public servants are set to benefit from a package of reforms to the Local Government Pension Scheme (LGPS) with an aim to 'end discrimination and lead to more money in people's pockets.'
- ▶ Measures announced on the 15 May 2025 build on the government's wider Make Work Pay agenda that will back millions of workers by banning exploitative zero-hours contracts, ending 'Fire and Rehire' and 'Fire and Replace' practices and strengthening statutory sick pay.
- ▶ The Local Government Pension Scheme for England and Wales will become the first public service pension scheme, of which 74% of the scheme's seven million members are women, to make all maternity, shared parental and adoption leave automatically pensionable.
- ▶ Issues with current regulations that saw survivors of members receiving smaller pensions based on their relationship type will be fixed, ending historic inequalities. Loopholes that allow those guilty of serious offences to continue benefitting from the pension scheme will also be closed, as part of a crackdown to ensure public servants' money does not go to those who do not deserve it.
- ▶ In addition, an age cap currently in place that requires an LGPS member to have died before the age of 75 for their survivor to receive a lump sum payment will also be abolished.
- ▶ The government is also taking steps to keep people in the scheme by enhancing data collection on why people opt out, in a bid to ensure as many people as possible benefit.
- ▶ A consultation on the proposed reforms to LGPS members' benefits closed on 7 August 2025.

[Pension Scheme reforms to boost benefits and tackle inequality - GOV.UK](#)

Council Funding Gap

- ▶ Analysis by the Local Government Association (LGA) in February 2025 revealed that Councils in England could face a £1.9 billion gap in 2025/26 rising to £4.0 billion in 2026/27, £6.0 billion in 2027/28, and £8.4 billion in 2028/29 without adequate funding in place.
- ▶ In its submission to the Treasury ahead of the Spending Review, the LGA demonstrated the vital role councils have in Government reform and its growth agenda and the negative impact of not investing across the many critical council services relied upon everyday by millions of people.
- ▶ Without urgent action in the Spending Review announced by the Chancellor on the 11 June 2025, many councils will be left with having to make impossible choices on what desperately needed services can be provided in the future, as well as missing opportunity to boost growth and reform.
- ▶ Last year 18 councils required Exceptional Financial Support (EFS) to set their 2024/25 budgets. Of those who responded to the LGA's survey, 25 per cent of Chief Financial Officers (CFOs) now say that their council had either applied for EFS to support their 2025/26 budget or that they expected to do so in 2025/26 or 2026/27. This is indicative of the growing financial emergency facing councils.
- ▶ The continued implementation of one-year settlement for councils, has severely hindered the ability to plan services and deliver to local communities. The commitment from the government to provide councils with three-year settlements is therefore encouraging.
- ▶ This is still a critical time for councils, which are experiencing continued financial strain resulting from long-standing funding reductions and are expected to worsen as costs and demand pressures rise at an increased rate.
- ▶ New costs associated with employer National Insurance Contribution changes not fully compensated by the government, alongside demographic change, inflation, and unfunded rises to the National Living wage further exacerbate this challenge.

- ▶ The LGA revealed that if current cost and demand trends continue, by the end of 2028/29 cost and demand pressures would add £21.4 billion to the cost of delivering council services since 2024/25. This is 29.8 per cent in additional service costs.

Spending Review: Councils could face £8bn funding black hole by 2028/29 | Local Government Association

Devolution and Local Government Reorganisation

- ▶ Following the publication of the English Devolution White Paper, the LGA have been working at pace to respond to, and digest the proposals and their respective opportunities and risks. The LGA position is clear: we want every council in England to have the ability to secure devolution that works for them, their local economies, and their residents. The devolution of powers and resources can play a huge role in promoting inclusive economic growth, creating jobs, and improving public services. In a very centralised country, moving funding and power from Whitehall to local leaders is needed.
- ▶ Devolution will provide greater freedoms and flexibilities at a local level, meaning councils can work more effectively to improve public services for their area. The result will be more effective, better targeted public services, greater growth and stronger partnerships between public, private and community leaders in local areas.
- ▶ Proposed reforms in the White Paper will have a significant impact on every council and community. We remain clear that local government reorganisation should be a matter for councils and local areas to decide. There are differing directions of travel underlining the diverse range of views about devolution and local government reorganisation that exist within the local government sector. The LGA will continue to respect each perspective and each choice equally.

The devolution and LG reorganisation hub | Local Government Association

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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London Borough of Southwark**Supplementary report - follow up status
details**

For presentation to the Audit, Governance and
Standards Committee 8 September 2025

INTERNAL AUDIT FOLLOW UP - STATUS UPDATE DETAILS

Of the 226 high and medium recommendations relating to 2022-23 to 2024-25 that have fallen due as of 20 August 2025, we have been able to confirm with reference to evidence that 215 have been fully implemented or superseded. This result represents an overall implementation rate of 95.1%.

SUMMARY OF RECOMMENDATIONS IMPLEMENTATION WHERE NOT YET FULLY COMPLETED

Please see below a summary of the number of recommendations not yet implemented relating to the years 2022-23 to 2024-25.

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 August & September 2025
2023-24 Direct Payments	6	1	4	-	1	-	-	83%	July 2024 March 2025 October 2025
2023-24 Legal Fees	4	-	3	-	1	-	-	75%	June 2024 January 2025 September 2025
Environment, Sustainability and Leisure directorate									
2023-24 Tree Management Services	4	-	3	-	1	-	-	75%	July 2024 April 2025 August 2025

Audit Area	Total H & M	Implemented		In progress		Awaiting update/ evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
Governance and Assurance									
2022-23 Supplier Resilience	5	1	3	-	1	-	-	80%	August 2023 October 2023 January 2024 February 2025 August 2025
2023-24 IR35	8	3	4	-	-	-	1	88%	July 2024 February to May 2025 September 2025
Housing Directorate									
2023-24 Social Housing White Paper	1	-	-	-	1	-	-	0%	July 2024 March 2025 September 2025
2024-25 Asset Management Statutory Compliance	6	1	2	-	1	1	1	50%	April 2025 June 2025 October 2025 & March 2026

Please note that for those recommendations where the revised implementation dates and updates were reported to the last meeting of the Audit, Governance and Standards Committee there are no further updates as the dates had not fallen due as at 20 August 2025 when this report was written.

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Meeting Name:	Audit, Governance and Standards Committee
Date:	8 September 2024
Report title:	Annual Governance Report 2024-25
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	n/a

RECOMMENDATION

1. That the audit, governance and standards committee approve the Annual Governance Statement (AGS) 2024-25 as attached at Appendix 1.

BACKGROUND INFORMATION

2. The Accounts and Audit Regulations 2015 require that the annual governance statement be presented to and approved by an appropriate committee of the council. Under the constitution, the audit, governance and standards committee is the body that formally receives the annual governance statement.
3. The 2015 Regulations require the annual governance statement to accompany the signed and dated accounts and to be approved at the same time as the statement of accounts. The draft annual governance statement for 2024-25 was reviewed by audit, governance and standards committee in July 2024. Formal approval of the statement is now sought.
4. Following this approval, the annual governance statement should be signed by the most senior member of the council and most senior officer, who are the leader of the council and the chief executive.

KEY ISSUES FOR CONSIDERATION

5. Every year, each local authority is required by law to conduct a review of the effectiveness of its system of internal control and to publish a statement reporting on the review, the annual governance statement, with its financial statements.
6. The annual governance statement is therefore a mandatory statement that recognises, records and publishes the council's governance arrangements as defined in the CIPFA/SOLACE framework for good governance in local authorities. It reflects how the council conducts its business, both internally and in its dealings with others. Its objective is to provide assurance on the

effectiveness of the corporate governance arrangements and to identify significant governance issues requiring management action.

7. The draft AGS was circulated to strategic directors and reviewed by the Corporate Management Team (CMT) in May 2025. It was reviewed by the audit, governance and standards committee in July 2024. In addition, since the draft was presented to the audit governance and standards committee, there has been an update to local government funding. Paragraph 6.4.8 has been updated to reflect this change.

Policy framework implications

8. There are no policy implications in the proposals in this report.

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

Community impact statement

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

Equalities (including socio-economic) impact statement

10. There are no direct equalities implications in the proposals in this report.

Health impact statement

11. There are no direct health implications in the proposals in this report.

Climate change implications

12. There are no direct climate change implications in the proposals in this report.

Resource implications

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

Consultation

14. There was no consultation.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix A	Annual Governance Statement 2024-25

AUDIT TRAIL

Lead Officer	Tim Jones, Director of Corporate Finance	
Report Author	Geraldine Chadwick	
Version	Final	
Dated	28 August 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, Finance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	28 August 2025	

APPENDIX A

Annual Governance Statement 2024-25

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Introduction

1.1 Southwark Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. To achieve this the council has to ensure that it has a governance framework that supports a culture of transparent decision making.

1.2 The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Amendment) Regulations 2021, require the council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review, with the Statement of Accounts.

The principles of good governance

2.1 The CIPFA/SoLACE Delivering Good Governance publication (2016) defines the various principles of good governance in the public sector. The document sets out seven core principles that underpin the governance framework and these are set out in diagram below.

Core principles of the CIPFA/SoLACE framework



Key elements of the council's governance arrangements

3.1 The governance framework at Southwark Council comprises the systems and processes, culture and values which the council has adopted in order to deliver on the above principles. The council has a separate code of governance, which is consistent with the principles of the CIPFA/SoLACE framework (2016). This has been updated, and the revised code was reported to the audit, governance and standards committee in February 2024.

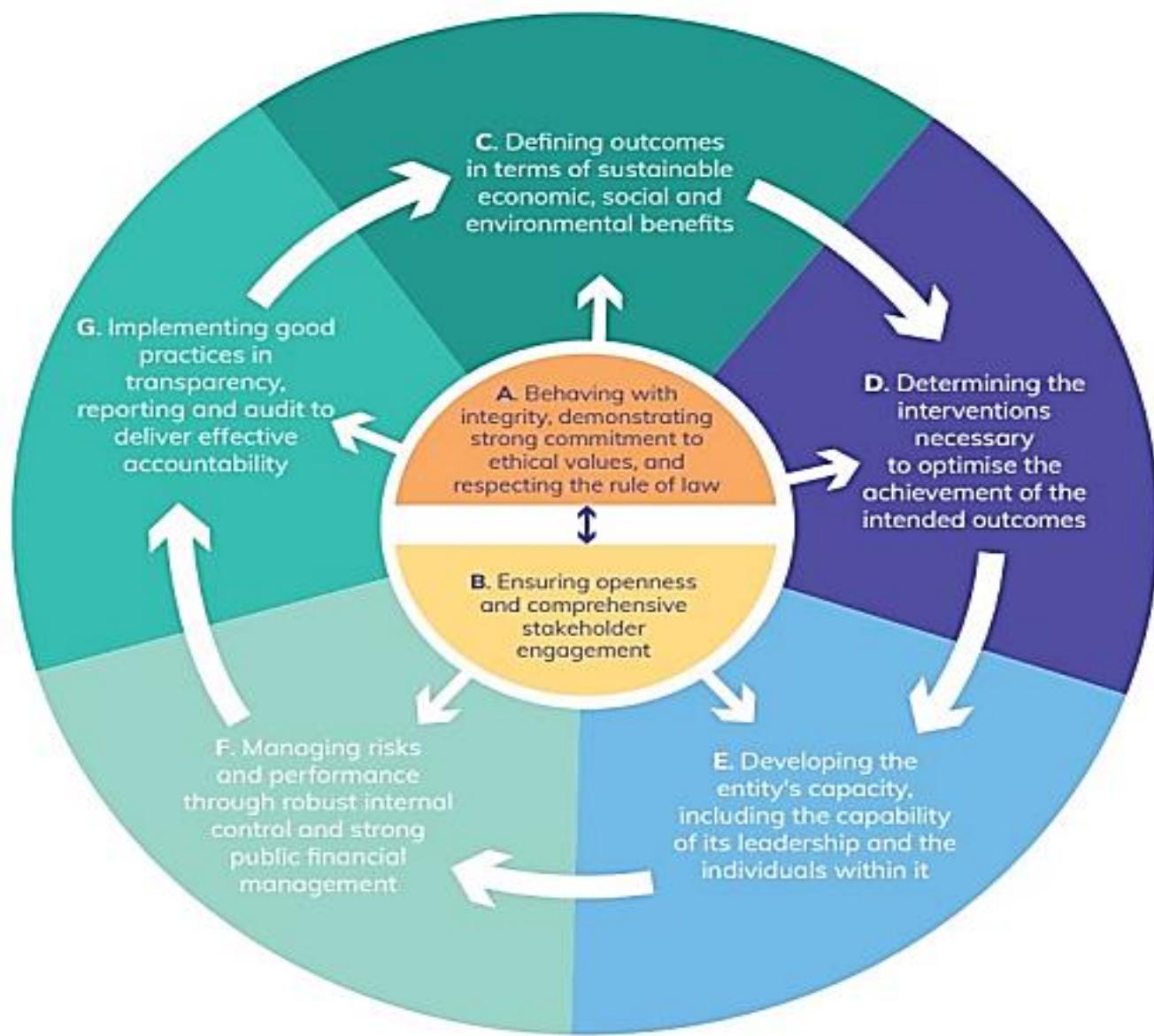
3.2 The CIPFA Advisory Note 'Understanding the Challenge to Local Authority Governance' (March 2022) restates the importance of increasing awareness and strengthening of governance arrangements following the significant and high profile failures in some local authorities. These concerns were reaffirmed by the Department for Levelling Up, Housing and Communities (DLUHC) in their 2020 report, 'Addressing cultural and governance failings in local authorities: lessons from recent interventions'. More recently, 'Preventing Failure in Local Government' (2023)¹ explores the lessons learned about the causes of failure in local government. It examines why safeguards designed to prevent councils from making bad decisions that waste public money and undermine trust in local government have not operated effectively. The report recognises the complexity of local government structures, the funding constraints and challenges and recommends a number of safeguards including improving culture and leadership to strengthen the ability to prevent failure. These reports collectively highlight the importance of robust governance frameworks, transparent decision-making, strong leadership, and continuous improvement to prevent failures and ensure effective management in local authorities.

3.3 The CIPFA Advisory Note, 'Developing an effective assurance framework in a local authority' (December 2023) defines an assurance framework as (Figure 1):

'The means by which leaders, managers and decision makers can have confidence that the governance arrangements that they have approved are being implemented, operating as intended and remain fit for purpose.'

¹ Grant Thornton 2023 [How can further local authority failures be prevented?](#)

Figure 1: Establishing an effective assurance framework



3.4 For good governance to function well, the CIPFA Advisory Note highlighted the need for organisations to encourage and facilitate a high level of robust challenge. The Corporate Peer Challenge undertaken in October 2023, enabled leaders and members to have an external assurance of the governance arrangements in place. It provided a welcome challenge to safeguard the council from the failures that have been so widely reported. In 2024-25, many of the actions recommended from the review have been completed or are on track to be completed which has strengthened the council's assurance arrangements.

3.5 'The CIPFA Financial Management Code 2019 (FM Code) was introduced during 2020-21, to improve the financial resilience of organisations by embedding enhanced standards of financial management. The council has assessed compliance with the FM Code since its introduction and compliance is reported every year to the audit, governance and standards committee.

3.6 The governance framework incorporated into this Annual Governance Statement has been in place at Southwark Council for the year ended 31 March 2025 and up to the date of the approval for the statement of accounts.

Constitution and Committees

3.7. Council Assembly is responsible for approving the budget, developing policies, making constitutional decisions and deciding local legislation. The council assembly elects the leader for a term of four years and the leader appoints a cabinet (including themselves), with each cabinet member holding a special portfolio of responsibility. The council leader, Councillor Kieron Williams was appointed in September 2020.

3.8 The council's constitution is updated throughout the year and sets out how the council operates. It states what matters are reserved for decision by the whole council, the responsibilities of the cabinet and the matters reserved for collective and individual decision, and the powers delegated to panels, committees and community councils. Decision-making powers not reserved for councillors are delegated to chief officers and heads of service. The Assistant Chief Executive, Governance and Assurance, ensures that all decisions made are legal and supports the audit, governance and standards committee in promoting high standards of conduct amongst members.

3.9. The council demonstrates openness and transparency and that it is acting in the public interest by having an up to date Constitution, clear arrangements for delegation of functions and an active Scrutiny and Audit Governance and Standards Committee. The council also maintains a published Forward Plan. All council meetings are open to the public and are live-streamed. In addition, all elected members are required to keep their register of interests and gifts, and hospitality register up to date. Officer declarations are undertaken annually. In 2024 the council reviewed its decision making processes and report writing guidance to ensure greater transparency. It also reviewed its call-in procedures to allow any 5 members of the council to call in a decision.

3.10 The overview and scrutiny committee and its scrutiny commissions scrutinise decisions made by the cabinet, and those delegated to officers, and reviews services provided by the council and its partners. The scrutiny officer promotes and supports the council's scrutiny functions. The Centre for Governance and Scrutiny were commissioned by the council in August 2022 to provide a health check of the council's scrutiny function. The findings of the review were reported in April 2023, with comments that '*scrutiny had a good foundation in Southwark*' and suggested a number of recommendations to enhance the scrutiny function. The council agreed to all of the recommendations, has an action plan in place and aims to implement the recommendations over the two year period 2023-24 and 2024-25.

3.11 The council welcomes views from the public and community as part of the constitutional process. These views are considered through formal and informal consultation processes, through ward forums, attendance at local meetings or contact with a local ward councillor. Trades unions are consulted on issues that affect council staff.

The Council Delivery Plan

3.12. The council's overarching budget and policy framework is set by Council Assembly, and all decisions are made within this framework. In November 2024 Council Assembly approved Southwark 2030, an ambitious, place-based strategy that sets out our partnership vision for a fair, green, and safe Southwark where everyone can live a good life as part of a strong community. The corresponding Southwark 2030 Delivery Plan sets out these policies, priorities and commitments to the people of Southwark, impacting all wards and activities delivered by the council and our partners. It sets out the action we will take until 2026 as the first steps towards our long-term vision.

3.13 Southwark 2030 is organised against six Southwark 2030 goals plus an internal-facing goal to ensure Southwark is a well-run council:

1. Decent homes for all: People live in safe, well-maintained homes.
2. A good start in life: Children and young people have a great childhood that builds on a very solid foundation for adult life.
3. A safer Southwark: Crime is low and people feel safe
4. A strong and fair economy: We all benefit from Southwark's economic strength and growth.
5. Staying well: People across our whole community can have good health and wellbeing.
6. A healthy environment: Our environment is clean, green and healthy.
7. A well-run council: Leading by example to deliver high-quality, accessible services that meet the needs of all residents

3.14 Southwark 2030 is underpinned by three principles that guide our work:

- Reducing inequality: we are determined to ensure everyone can access the opportunities, resources, and power they need to thrive.
- Empowering people: we want to empower strength in everyone, growing skills, and resilience to enable participation and leadership.
- Investing in prevention: we will invest our time, capacity, and resources towards early help so that residents can live empowered, healthy, and fulfilling lives.

3.15 Performance against the delivery plan is monitored throughout the year. Progress is reviewed quarterly by the leader and respective cabinet members and is reported through an annual performance report at the end of each financial year. The council also monitors its performance through feedback from its residents and service users.

3.16. Work is underway to establish an improved council performance management framework that will define our shared approach to efficient, timely and high-quality quarterly reporting and assurance on organisational performance and progress against our Council Delivery Plan. Through this new approach, we will deliver a shared picture of council performance, corporate health and organisational effectiveness, enabling the joint identification, planning and review of areas for performance focus and support. It will enable appropriate oversight and decision-making at all levels, reflecting both our departmental priorities and Southwark 2030 goals. It will also be underpinned by an Outcomes Framework, enabling us to better triangulate between programme activity, service performance, and impact for residents.

3.17 The council delivery plan was agreed in September 2022 and refreshed by cabinet in February 2025. The plan works alongside the [Fairer Future medium term financial strategy 2022-23 to 2026-27](#), allowing the council to make best use of the financial resources available and to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders. The medium term financial strategy is updated regularly together with in- year monitoring reports which are presented to cabinet in July, September, December and January prior to the formal budget setting process in February.

3.18 From the council delivery plan, service plans and business plans are developed, and individual officer work plans are agreed, with performance targets agreed at every level. These are measured by 1:1 and team supervision arrangements and departmental performance management processes. Detailed budgets are aligned to corresponding plans following a robust budget challenge process, which challenges managers to demonstrate efficiency and value for money, and performance is monitored and managed at every level on a regular basis.

Performance, Policies, Risk and Financial Arrangements

Learning and Development

3.19 The council provides a complete programme of learning and development to officers and members. The performance management process helps to identify learning and development needs, which are then translated into personal development plans for staff. Members are also offered development opportunities, in line with their own personal development plans. Senior officers are also expected to keep abreast of developments in their profession.

Whistleblowing Policy

3.20 The council has a [whistleblowing policy](#), which encourages staff and other concerned parties to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment. The number of whistleblowers, member complaints and RIPA (Regulation of Investigatory Powers Act) cases are reported annually to the audit, governance and standards committee.

Standards of Conduct

3.21 The council expects the highest standards of conduct and personal behaviour from members and staff; and promotes and maintains high standards of conduct by both elected and co-opted members of the authority. These standards are defined and communicated through codes of conduct, protocols and other documents.

Financial Management

3.22 The council's financial management arrangements conform to the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2016). The chief financial officer is the Strategic Director of Resources who has statutory responsibility for the proper management of the council's finances and is a key member of the corporate management

team. He formally devolves the management of the council's finances within departments to strategic directors through the Scheme of Delegation for Financial Authority and Accountability. Strategic directors further devolve decision making through departmental schemes of management. The Strategic Director of Resources provides detailed finance protocols, financial regulations, procedures, guidance and finance training for managers and staff.

Assurance Arrangements

3.23 The council's assurance arrangements conform to the governance requirements of the CIPFA "Statement on the Role of the Head of Internal Audit in Public Service Organisations" (2019). The chief audit executive reports functionally to the audit, governance and standards committee, which approves the audit plan and strategy and receives reports throughout the year on audit and anti-fraud activity, as well as the annual report and opinion on the internal control framework.

Risk Management

3.24 The council's risk management strategy ensures proper management of the risks to the achievement of the council's priorities and helps decision making. In the council's day-to-day operations, a framework of internal controls (e.g., authorisation, reconciliations, separation of duties, etc.) manages the risk of fraud or error, and this framework is reviewed by internal audit. The council has appropriate arrangements in place to deal with fraud and corruption risks and is committed to maintaining its vigilance to tackle fraud. Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. The council's legal services and procurement teams ensure that all are fit for purpose and the council's interests are protected.

Review of effectiveness

4.1 Southwark Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

4.2 The review of effectiveness is informed by the work of the senior managers within the council who have responsibility for the development and maintenance of the governance environment, the chief audit executive's annual report, and by comments made by the external auditors and other review agencies and inspectorates.

4.3 The key elements of the review of effectiveness are:

Internal Management Processes

4.3.1 The council's internal management processes, include performance monitoring and reporting; the staff performance appraisal framework; internal surveys of awareness of corporate policies; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget challenge process. The council constantly reviews the constitution and decision-making framework to ensure clarity openness and transparency. Revisions to the protocols and procedures are revised on a regular basis with the communication protocol, the whistleblowing procedure, and the Member Officer protocol reviewed in April 2025. Members are also required to register any company directorships or contracts with the council where they or their partner have a beneficial interest on an annual basis by the 31 March. The council have a system of delegation to Cabinet Members and Chief Officers in place, all of whom can make key decisions. Informal governance also plays an important role in developing strategy, monitoring the council's performance and developing proposals which are then taken through formal decision making and governance processes.

Cabinet Scrutiny Protocol

4.3.2 The council has signed up to a Cabinet Scrutiny Protocol in response to the recommendations of the Centre for Governance and Scrutiny (CFGs)². The purpose of the protocol is to enable cabinet, senior officers and the scrutiny function to have a clear understanding of the expectation of members, officers, organisations and individuals engaging in the scrutiny process.

Corporate Peer Challenge

4.3.3 As part of the membership with the Local Government Association (LGA), councils are offered the opportunity to have a peer review, also known as Corporate Peer Challenge (CPC) review, every five years. In October 2023, the council welcomed a team from the LGA to undertake a CPC review. This is a highly valued improvement and assurance tool that is delivered by the sector for the sector.

4.3.4 A team of senior local government councillors and officers undertook a review of key finance, performance and governance information to identify strengths and areas for improvement across core elements. Overall, the review stated that the London Borough of Southwark was a good council, with prudent financial management, with a well owned council delivery plan working to deliver new strategic priorities. The team provided 11 recommendations for the council which can be found in their feedback report. These recommendations were consolidated under three strategic areas:

- Strategic direction of the council
- Service specific improvements
- Future Southwark capacity and corporate infrastructure

² [Structures, resources and formal powers - A Practice Guide - CFGS](#)

4.3.5 Following the recommendations, a detailed action plan was agreed at Cabinet in January 2024. The action plan provides key milestones to be achieved through define timelines and ensures the council is moving in a direction of continuous development and improvement.

4.3.6 The council has since continued to work at pace to make progress against the CPC recommendations. Our progress review took place in May 2025, providing space for the council to receive feedback on the progress made to date, take stock of what has been achieved and acknowledge where more improvements are required to deliver its ambitious shared vision for the borough. Key improvements include:

- the Southwark 2030 strategy agreed at Council Assembly in November 2024 and its launch in February 2025 bringing together over 140 people from across the borough to pledge to work together with residents and communities to build good lives for everyone in the borough;
- the Southwark 2030 Delivery Plan agreed at Cabinet in February 2025 setting out the council's consolidated priorities for the next financial year, offering clarity for its ambitious vision over the short and longer-term;
- the implementation of a comprehensive Housing Improvement Plan programme following the C3 judgement issued by the Regulator of Social Housing (RSH) in November 2024;
- The delivery of the first phase of the council's Future Southwark programme, which included the codesign of a new People Plan with staff, a Member Experience Programme, an improved Organisational Development offer and wider enhancements to human resources
- The strengthening of our corporate centre through improvements to the organisation's core functions, including Public Affairs, Communications, and Change and Transformation.

4.3.7. Overall work continued at pace and very good progress has been made against all of the workstreams and key milestones. Many have been completed and for those that require longer term or ongoing actions, have been embedded in the council's 'business as usual' or continue to form part of the ongoing Future Southwark programme.

4.3.8. Following the progress review in May 2025, a report is expected to be published in June 2025, helping the council to continue to build on Southwark's strengths and become the best organisation for its residents, local businesses and partners.

Annual Management Assurance Statement

4.3.8 This is an annual management assurance statement signed by strategic directors that confirms their departmental governance arrangement. Each department has a business plan and a Scheme of Management which clarifies internal procedures and assigns accountability. This approach ensures that performance against key metrics is regularly monitored, to enable timely action to be taken if any key areas of service delivery are off track and to ensure robust risk management of services across the portfolio. The departmental business plans are in turn, aligned to the Corporate Delivery Plan.

Corporate Risk Management

4.3.9 The annual report on corporate risk and risk management arrangements which are presented to the 3 February 2025, audit, governance and standards committee for discussion. The council's corporate risk register is prepared following joint assessment by officers of all departmental risks. This in turn is then reviewed by the Corporate Management Team. Each department reviews their risk registers on a quarterly basis. Each risk is accompanied by a mitigation setting out the controls in place to manage risk.

The main purposes of the council's corporate risk management process are:

- To set out the most significant risks to the council in the context of multiple risks identified and managed within each department.
- Where appropriate, to consolidate common risks issues especially where cumulatively they may amount to a higher risk rating.
- To ensure that single risks that may act to impact across all council services are recorded (e.g. cyber security).
- To enable risks to be effectively managed to ensure that the council meets its corporate and business objectives; and
- To alert the council to new or increasing risks that may impact on the council's ability to serve its residents and wider community.

4.3.10 This year, the corporate risk register, whilst maintaining risks associated with the council's normal operations, also considers the Southwark 2030 strategy, and aligns 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 high, reflective of the current environment which continues to impact directly on management, operations and financing of local authorities.

4.3.11 The top risks are those that have been assessed as 'amber' or 'red' and appear in more than one department and often require the most proactive management actions to control and mitigate these risks. The number of risks across all council departments remains consistent with that reported in 2024. The high level risks highlighted in February 2025 are listed in Table 1 below.

Table 1 2024-25 Risk Register

Southwark 2030 Priority	Risk Description
Decent Homes for All	Housing Revenue Account (HRA) financial Sustainability
	Asset management and Building safety
A Healthy Environment	Climate Emergency
A Good start to Life	Schools and Education
A Strong and Fair economy	Acute socio- economic factors
	Cost of Living Crisis
Cross cutting across Southwark 2030 objective/other corporate risks	Cyber security, IT, Data and information management
	Recruitment, retention, resources and capacity
	Medium Term Financial Planning
	Key Providers and Partners
	Capital Projects
	Unforeseen Major event
	Health and Safety

Chief Audit Executive Opinion

4.3.12 The chief audit executive opinion to members on the adequacy and effectiveness of the internal control framework, the council's risk management and governance process. The audit opinion overall, provides moderate assurance. This denotes that that there is a sound system of internal control, designed to meet the council's objectives, that controls are being applied consistently across various services.

Internal Audits

4.3.13 Internal audits have strengthened local and corporate wide arrangements. The approach to taken by internal audit is to use the council's risk management process and risk register as a starting point as this is the council's assessment of the risk to achieving its strategic objectives; confirm this approach with senior management and also considered the emergent risks in local government and the wider public sector.

Audit, Governance, and Standards Committee

4.3.14 The audit, governance and standards committee is independent and separate from the scrutiny function delivery through the Overview and Scrutiny Committee and from the decision making committees. The audit committee provides an oversight on a range of core governance and accountability arrangements. The work of the audit committee in 2024-25 was reported in February 2025³.

4.3.15 The audit governance and standards committee formal review of their performance. The committee assessed its work and performance against the CIPFA's 'Position Statement 2022⁴ at the February 2025 committee. The work programme aims to ensure the committee covers key areas of audit activity (both internal and external) governance and standards activity, financial reporting and scrutiny of the treasury management strategy and policies.

4.3.16 The committee continued its approach to the consideration of governance by having additional structured reports on high risk areas and committee members continued to ask challenging questions and raise issues on matters before it. In some cases, this has resulted in further information being provided to the committee to provide the assurance sought; in others, it has resulted in increased focus on the implementation of action plans.

4.3.17 Members confirmed that the reports and governance discussions gave them assurance that:

-
- (i) the council's system of risk management was adequate to identify risk and to allow the council to understand the appropriate management of those risks.
- (ii) there were no areas of significant duplication or omission in the systems of governance in the council that have come to the committee's attention and not been adequately resolved.

4.3.18 Departmental governance conversations. In 2024-25, the audit, governance and standards committee continued to invite Strategic Directors, the Assistant Chief Executives and the Chief Executive to discuss their departments' governance arrangements. These 'governance discussions' provided in depth details of departmental governance arrangements, departmental risk registers, associated controls and mitigations and allowed committee members to discuss and challenge particular governance issues. These discussions will continue into 2025-26 with a renewed focus on key risk areas.

Compliance with the CIPFA Financial Management (FM) Code

4.3.19 The review of compliance with the CIPFA Financial Management (FM) Code for 2024-25 was reported to the Audit, Governance, and Standards Committee in July 2025. The purpose of the FM

³ [February 2025 audit governance and standards committee](#)

⁴ CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Code is to provide a strong foundation for managing financial resilience, meeting unforeseen demands on services, and handling unexpected shocks in financial circumstances.

4.3.20 A key part of the FM Code involves reviewing the council's financial sustainability against the CIPFA financial resilience index, which benchmarks performance across other local authorities. This review is particularly important given the increasing number of authorities facing acute financial difficulties, leading to the issuance of 'Section 114'⁵ notices. The overall findings across all local authorities in 2024 showed a pattern of continued decline in reserves and increased social care expenditure. The index indicated that Southwark Council is at 'low risk' for the level of general fund reserves. Expenditure levels for social care were high and in line with other authorities, but with an improved score from the previous year. Additionally, Southwark Council was rated well for children's social care. Areas that were highlighted as higher risk for the council, included the long-term financial sustainability of the Housing Revenue Account (HRA) and the levels of external debt. Section 6.2 provides further discussion on the financial sustainability of the council's HRA and the Housing Investment Programme (HIP).

Assurance statement

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

Governance issues

6.1 The specific governance issues are addressed in the following sections:

- Action plans from issues highlighted in the 2023-24 annual governance statement:
- Governance issues and actions in 2024-25
- Areas of Significant Change: looking forward to 2025-26 and the medium term

Issues highlighted in the 2023-24 Annual Governance Statement: Actions and Outcomes

6.2 The follow up of the governance issues highlighted in 2023-24 are discussed in paragraphs 6.2.1- 6.2.27 and summarised in Table 2.

⁵ A Section 114 notice is a formal report issued by the Chief Financial Officer (or Section 151 officer) of a local authority. The notice is issued to prevent the local authority from incurring unlawful expenditure. This typically happens when the authority's predicted expenditure is likely to exceed its available funds for the financial year.

Table 2: Summary of governance issues: Actions and Outcomes

Governance issues Identified in 2023-24 Annual Governance Statement	Action taken in 2024-25	Section and paragraph
Housing – HRA Housing – Temporary accommodation	Housing Revenue Account (HRA) – long term financial sustainability plan continues to be council wide priority Temporary accommodation- continues to be subject to enhanced monitoring and mitigating action plans	Section 6.2.1-6.2.7
Southwark Stands Together (SST)	SST continues to be a key priority for the council. Proportion of senior managers who are ethnically diverse increased while the council's ethnicity pay gap reduced.	6.2.8-6.2.10
Cost of Living Crisis	The council's response to the crisis has been to support over 23,000 households in 2024-25.	6.2.11-6.2.13
Southwark 2030 and Future Southwark	Renewed focus on long term transformation and re-focus of council priorities through Southwark 2030 and Future Southwark	Section 6.2.14- 6.2.17
Staffing -Changes to council's senior management structure - Recruitment and retention of staff	Senior management changes Recruitment and retention of staff remains a priority	6.2.18-6.2.20
External audit	All accounts up to date	6.2.21
Climate Emergency	Climate Budget statement	6.2.22-6.2.25
Other Council Services	Progress on Special Educational Needs and/or Disabilities (SEND) and Dedicated Schools Grant (DSG)	6.2.26- 6.2.27

Housing -Housing Revenue Account (HRA)

6.2.1 Southwark is one of the largest social landlords in the country, consisting of 55,000 rented, leaseholder and freeholder homes across the borough. The cost of living crisis, restrictions to available income, debt charges and inflationary pressures continue to have huge ramifications on the Housing Revenue Account (HRA). The HRA reflects the statutory requirement to account separately for all costs and management of the council's housing stock, offset by tenants' rents and service charges, homeowner service charges and other income.

6.2.2 The government imposed below inflation restrictions on the rent rises for social housing, at 7% in 2023-24, and prior to this intervened to reduce social rents by 1% p.a. for the 4 years commencing April 2016. In addition, the HRA has faced unprecedented financial pressures such as additional unfunded regulatory burdens arising from the Fire and Building Safety Acts, exceptionally high inflation in construction markets in prior years, and interest rates remaining higher than expected. The continuing financial pressures on the housing revenue account have been closely monitored by the council and reported to cabinet throughout 2024-25.

6.2.3 The HRA outturn for 2023-24 was an in-year net overspend of £16.4m, with reserves of just £16.9m as at 31 March 2024. Given the size of the council's HRA, a prudent level of reserves should be in the region of £50m, so the council took immediate action to ensure ongoing financial sustainability and drafted a 10 year HRA Recovery Plan with a clear suite of actions including a housing repairs improvement programme, an end to end review of void properties and the refresh of the asset management strategy. Governance arrangements have been strengthened through spending controls and a review of the department's scheme of management. The HRA recovery plan is in two phases. Phase 1 sought to reduce revenue spend through a range of activities, including setting cash limits within which services have been required to operate. Phase 2 sought to restore HRA budgets to a sustainable level and increase reserves to a prudent level.

6.2.4 Phase 1 has required additional borrowing to fund the asset management programme, where costs are currently in excess of the available budget, and due in part by the unfunded costs arising from changes to legislation. This additional borrowing will be paid off over the lifetime of the HRA Recovery Plan, to ensure that long term borrowing is only used to deliver new homes. In addition, the council put into place other available measures to reduce the need to borrow, such as curtailing or pausing projects that are funded by borrowing and increasing resources through disposing of uneconomic assets.

6.2.5. It was assessed that savings of £19.3m would be required to achieve the estimated cash limits set out in the HRA recovery plan. Cabinet received detailed monitoring reports against these targets throughout 2024-25. The outturn has reported a favourable variance of £3.9m due to one -off windfalls in income, other financial support actions and short term cost reductions arising from slippage in capital and maintenance works programmes. It had been projected that borrowing would be required for asset management in 2024-25, but this has not been required, as it's been funded through capital receipts from the sale of redundant or uneconomic assets and a review of the overall investment plan. Notwithstanding this improvement, the underlying financial position of the HRA

remains very challenging, with an initial savings requirement of c.£11.6m to achieve the budgeted service cash limits for 2025-26. In the long term, the HRA sustainability continues to be a council-wide strategic priority.

6.2.6 The Housing Investment Programme (HIP) is the capital programme for the Housing Revenue Account (HRA), divided into two major strands: the New Build programme and the Asset Management (AM) programme. The New Build programme focuses on the delivery of new council homes, while the Asset Management programme ensures the upkeep of existing council homes, maintaining safety, health, and compliance with legal obligations. The HIP underwent a similar detailed review to ensure it meets strategic policy aims while remaining affordable and sustainable. The council's New Build Programme is constrained by the need for borrowing and the impact of interest costs on the HRA. The council has reduced borrowing to prevent unsustainable debt servicing costs, achieved by slowing or pausing projects and identifying alternative income sources.

Housing - Temporary accommodation

6.2.7. London Council's ⁶ reported a projected £330m overspend (60% over projected budgets in 2024-25) for London councils due to the cost of homelessness. The cost and demand for temporary accommodation remains unremitting, driven by the growing national homelessness crisis, unaffordable private sector rented accommodation and restrictions on Local Housing Allowance (LHA) rates meaning welfare benefits no longer cover the cost of private rented accommodation. These budgetary pressures in Southwark were closely monitored in 2024-25 by a cross departmental board taking practical steps to increase the supply of appropriate housing solutions. Despite monitoring of this high pressure area, the reported overspend was £9.5m as at 31 March 2024. This area of increasing overspend has been reported to June 2025 cabinet. Mitigations will continue in 2025-26 with short and long term solutions. The government have recognised these additional pressures on local authorities and have allocated additional funding for homelessness prevention. Southwark have been awarded £3m more in 2025-26, than the allocation in 2024-25.

Southwark Stands Together (SST)

6.2.8 Southwark Stands Together (SST) is the council's ambitious programme of work to tackle racism and promote anti-racist practice, both within the council and the community. The programme continues to be one of the council's most important priorities, with progress overseen by a board chaired by the chief executive and attended by members of the corporate management team as well as trade union representatives.

6.2.9 During 2024-25, the council commenced the roll-out of "Let's Talk About Race", a facilitated conversation, supported by videos, which every team in the council is expected to use to encourage open conversations about race and racism in the workplace. During the course of the last year, the

⁶ <https://www.londoncouncils.gov.uk/news-and-press-releases/2025/ps330m-homelessness-overspend-housing-crisis-threatens-bankrupt-london>

proportion of senior managers who are ethnically diverse increased from 33.4% to 34.4% while the council's ethnicity pay gap reduced from 8.9% to 8.3%.

6.2.10 The Southwark Maternity Commission shone a light on inequalities in local maternity care, highlighting that Black or Black British mothers were more likely to report a negative experience of maternity care than mothers from any other ethnic group. The report highlighted concerns regarding quality of care, communication and cultural sensitivities, and set out to urge change from all partners across government, the NHS, mental health services and the voluntary sector. The report's 10 recommendations will be used to support changes that reduce inequality and underpin a local action plan. The council's Health and Wellbeing Board is committed to monitoring and reporting on the progress of the recommendations made by the commission, with an annual review each April.

Supporting the most vulnerable through the 'Cost of Living' crisis

6.2.11. The council pledged to continue to tackle the cost of living crisis for residents through the 'Cost of Living Fund' that provided help with bills. During 2024-25, the council delivered extensive support to many residents, while prioritising those on the lowest incomes and most vulnerable to cost of living impacts. Low-income households with children received the most support – including Holiday Free School Meals and expanded eligibility for term-time free school meals for secondary school children. Others receiving support from the fund included pensioners, and those with disabilities on low incomes but not claiming or eligible for welfare benefits - especially those most affected by the ending of the universal Winter Fuel Allowance. Thousands of low-income households getting help through the Council's Council Tax Reduction (CTR) scheme received a further reduction in their bill of £50.

6.2.12 By working with the voluntary, community and faith sector partners, in 2024-25, the council supported more than 23,000 households through the cost of living crisis, including at least 14,000 households with children, sick or disabled people receiving care, older people affected by the loss of the winter fuel allowance and low-income households at risk of fuel poverty (living in energy inefficient homes) by providing help with bills. The council provided additional support to those on low incomes to gain access to the best advice. Not all advice had a financial outcome but the average financial gain for all those households receiving one-to-one advice from the 'Southwark Energy Savers' service was estimated at more than £1,300. Recognising the scale and impact of energy debt among Southwark residents, the service will continue for at least one more year.

6.2.13 The Government's Household Support Fund (HSF) will be further extended in 2025-26. The Council will pool its HSF allocation with other government grants to create a new Better Living Fund that will have a greater focus on preventive support consistent with the goals and principles of Southwark 2030. Preventive measures will help build vulnerable low-income households' resilience against potential future shocks. The Council will consult its Voluntary and Community (VCS) partners on the most suitable forms of preventive support for a wide range of vulnerable groups of all ages. The aim will be to prevent them from falling into poverty or deep poverty with all its attendant risks for health and well-being, including greater food insecurity, fuel poverty, material deprivation or social isolation. The Council will also target funding toward the most vulnerable residents to help them pay bills, for example through its programme of holiday-free school meals for eligible children, for the rest

of this year. That support will complement the Holiday Activity and Food programme that provides enriching activities and nutritious food for children from low-income households who would otherwise miss out on such opportunities, and wider eligibility for term-time free school meals for secondary school children from low-income families. Additionally, the Council will continue to offer support for low-income households experiencing a crisis or needing help to live independently in the community through its local welfare assistance scheme.

Southwark 2030 and Future Southwark

6.2.14 The Future Southwark programme initiated in March 2024 when the Corporate Management Team (CMT) agreed the Future Southwark Framework, defining Future Southwark as an internal change programme which aims to support staff and provide stronger cross-organisational governance and assurance on service improvement and organisational change so the council can achieve the Southwark 2030 vision and deliver the goals set out in the strategy.

6.2.15 The delivery of this programme is by phases. Phase I focusses on staff, skills, innovation and infrastructure whereas Phase II is described as moving into a programme that supports the organisation to enable delivery of the Southwark 2030 vision and goals and the delivery of corporate savings.

6.2.16. The delivery of Phase I has included delivery of service improvements identified by the Corporate Peer Challenge review. Workstreams included:

- establishing a small Corporate Programme Management Office to support programme reporting, assurance, benefits realisation and interdependencies on an agreed portfolio of corporate change programmes;
- providing assurance and progress reporting on the Corporate Peer Challenge action plan;
- supporting the delivery of projects on Member Experience, scoping an accommodation strategy, a review of corporate resources to optimise the skills, capacity and infrastructure in strategic business resources across Strategy, Change and Programmes, and Business Intelligence and Data Analysis;
- commissioning and delivering the council's first Resident Insight Survey; and
- development of the People Plan following significant engagement with staff and key stakeholders.

6.2.17. To support the Future Southwark programme, during the course of 2024-25, the Strategy & Communities department (S&C) has undergone a significant leadership restructure with the establishment of senior leadership posts in the department to ensure robust management, governance and leadership.

6.2.18 The Assistant Chief Executive (ACE) for S&C is developing a departmental forward plan to ensure appropriate departmental governance of budget and decision making via departmental team meetings. An updated scheme of delegation (February 2025) defines delegated leadership responsibilities, ensuring clarity on managerial accountabilities.

6.2.19 We are now moving into Phase 2 of Future Southwark. This phase includes continued work on council culture, skills, accommodation, and service delivery models which will be overseen by the Corporate Transformation and Efficiencies Board (CTEB) to ensure delivery and integration across departments. The role of CTEB is to continue providing strategic oversight of the Future Southwark Programme and cross council transformation activity. Integrated reporting on key council change programmes has been established to ensure that the organisation understands the synergies between programmes, is assured of delivery, develops connections and supports cross council collaboration.

6.2.20 The fundamental purpose of this work has been to shift to a whole-organisation approach around three themes;

- How we work, including the approaches, tools, policies, values, ways of working and behaviours that we will need for the future
- Where we work, and making sure we have fit-for-purpose places for work, and that they are professionally managed and maintained
- Our skills for work, including the skills, teams, methods and infrastructure that we need to be fit for the future

6.2.21 Phase 2 will also focus on delivering corporate, cross-cutting savings. This includes targeted workstreams in areas such as corporate real estate, procurement and third-party spend, income maximisation, business resource redesign, workforce management, and digital transformation. These initiatives will be supported by a structured benefits realisation framework and tracked through robust governance processes, including oversight by CTEB. Savings delivery will depend on the pace of implementation, quality of data, and alignment with organisational priorities. Business cases and resourcing plans will be brought forward in stages, with quick wins anticipated in some areas.

Staffing - Re-organisation of the council's senior management structure

6.2.22 Following reorganisations in 2023 and 2024, the council has implemented a revised senior management structure. In addition to the senior management changes described in paragraph 6.2.23, the new post of Strategic Director, Environment, Sustainability and Leisure was temporarily filled via an acting up arrangement during 2024-25. A new permanent postholder joined the council in April 2025.

Staffing: Recruitment and retention of staff

6.2.24 The council continues to prioritise the recruitment and retention of a highly skilled permanent workforce. Following a comprehensive review of the council's approach to recruitment, a new resourcing service was launched in 2024-25. The team includes colleagues with specialist expertise in marketing job vacancies and directly sourcing candidates. Since the new team was established, the time taken to advertise a vacancy has reduced from 10 days to two, while the time taken to vet and onboard a successful candidate has reduced from 96 days to 38.

6.2.25 A new strand of the Future Southwark programme is focused on the development of workforce management strategies, which are intended to enable reduced spend on agency workers and allowances while building more capability and resilience within the council's permanent workforce.

External Audit

6.2.26. The council is part of the Public Sector Audit Appointments (PSAA) national scheme which appoints the council's external auditors. KPMG was appointed to act as the external auditors for five years from 2023-24, replacing the previous auditors, Grant Thornton. Despite significant national delays in the external audit market for signing off local authority accounts and issuing disclaimer opinions where audits have not been completed within statutory deadlines, the council's audited accounts are up to date. The council's 2023-24 accounts were signed off in February 2025. The 2024-25 external audit has already begun and is expected to be completed by November 2025 so that the audited accounts can be signed off at the November Audit Governance and Standards committee.

The Climate Emergency

6.2.27 The climate emergency is a major focus for the council, which works in partnership with stakeholders, partners, staff and residents to tackle the effects of climate change. The Climate Change Strategy and Action Plan is the primary delivery mechanism that will result in a reduction in carbon emissions across council operations and the wider borough. The Action Plan contains 1,117 actions which once implemented will enable the 50% reduction in operational emissions by 2026, key further decarbonisation measures across the council estate, alongside other critical climate actions including adaptation measures and local policy changes to influence others.

6.2.28 The council's ten-year capital programme, has allocated more than £38 million to major investment programmes where climate impact is a primary objective – representing 8% of the council's total capital programme spend, demonstrating the scale of the council's commitment to climate action and facilitating the climate transition across Southwark. Implementation of these projects is delivering new active travel and low-carbon transport infrastructure, air quality improvements, carbon reductions, climate adaptation and tree planting across the borough.

6.2.29. The council is undertaking a range of actions to secure sustainable finance – including in collaboration with partners and regional and national stakeholders – through development of funding bids and business cases. Key recent actions have included:

- Launching Southwark Green Finance in 2024
- Appointing an External Opportunities Manager in the climate change team to develop the project and pipeline, identify and maximise external sources of investment
- Engaging with government and the Greater London Authority (GLA) on Southwark's most significant funding priorities and gaps
- Undertaking research and reviews of emerging alternative sources of finance, such as those being explored through the UK Cities Climate Investment Commission (3Ci) of which the council is a member

6.2.30 The council have introduced the concept of 'climate budgeting' within the 2025-26 budget setting process, setting out how the council's spending aligns with its commitment to doing all it can to be carbon neutral by 2030. Climate budgeting is a governance process that when applied, will drive effective implementation and prioritisation of a pipeline of short, medium and long term actions to deliver the council's climate targets (including working towards halving the council's operational emissions by 2026, and helping make the borough net zero by 2030).

Council Services – Special Educational Needs and/or Disabilities (SEND)

6.2.31 At the end of the 2022-23 financial year, the council entered into a formal Safety Valve Agreement with the Department for Education (DfE). This major programme was established by the DfE in recognition of the insufficient funding available for children and young people with Special Educational Needs and/or Disabilities (SEND). The key aim of the agreement is to ensure a sustainable service with better outcomes for children and young people, as well as an in-year balanced position for the Dedicated School Grant (DSG). The council received £1.8 million in 2024-25 following the acceptance of successful monitoring reports, in addition to the £13 million received in previous years. This brings the cumulative deficit of the Dedicated School Grant to £5.8 million as of 31 March 2025 year end.

6.2.32 The SEND improvement programme integrates the delivery of the transformational SEND Strategy while successfully meeting the conditions of the Safety Valve Agreement. The programme is overseen by the multi-agency SEND Strategic Partnership Board, supported by the council-led SEND and Inclusion Quality and Improvement Board, which is responsible for driving operational improvements on behalf of the Partnership Board. Additional assurance is provided by the direct oversight of both the Strategic Directors for Children's and Adults Services and Resources, ensuring the progression and delivery of the actions required to achieve the financial targets contained in the agreed DSG Management Plan.

Governance issues in 2024-25

6.3 During the year, the following governance areas have been identified, as summarised in Table 3 and discussed in paragraphs 6.3.1- 6.3.16.

Table 3: Summary of emerging governance Issues and actions taken

Governance Issues 2024-25	Action	Section and paragraph
Housing – Social Housing Regulator Housing – Tenant Management organisations (TMOs)	Housing Improvement Action plan in place following the Regulator of Social Housing inspection Improved governance arrangements in place for TMOs	6.3.1-6.3.7
Schools and Education	Keeping Education Strong strategy to right size the school estate and mitigate financial risk	6.3.8
Cyber Security	Ongoing mitigations to reduce the threat of cyber attacks	6.3.9
Enterprise Resource Planning (ERP) – Southwark360	Update on the replacement of the council's system for HR and Payroll and finance systems.	6.3.10-6.3.16

Housing – Social Housing Regulator

6.3.1 The Social Housing (Regulation) Act 2023 created additional unfunded burdens on local councils. The Regulator of Social Housing (RSH) has adopted a proactive regulatory approach to health and safety of social housing with new consumer standards. Registered providers must identify and meet all legal requirements that relate to the health and safety of tenants in their homes, including electrical safety. Ahead of the planned inspection, the housing department performed a self-assessment to prepare for regulation, which showed that the council had been non-compliant in relation to electrical testing, prompting a self-referral to the Regulator.

6.3.2 The subsequent inspection in November 2024 of Southwark Council by the Regulator of Social Housing against the new criteria was a rating of 'C3', which means its "judgement is that there are serious failings in the landlord delivering the outcomes of the consumer standards and significant improvement is needed". In response to the inspection, the council has implemented a Housing Improvement Plan to review and enhance the governance and oversight arrangements. The Plan

targets critical areas such as safety and compliance, repairs, damp and mould management, and fair housing allocations. The approach is structured around ten core principles, emphasising not only immediate remediation actions but also longer-term systemic changes. These principles include enhanced data management systems, digital integrations, and more robust governance structures to ensure continuous monitoring and transparent reporting to residents, Members, the RSH and other stakeholders.

6.3.3 A transformation programme team has been created supported by cross-council teams from Finance, HR, IT, Public Health, and Strategy teams, with over £250 million investment allocated over 3 years to improve safety and quality. A report titled “Governance and Oversight of Housing Services” went to Overview & Scrutiny Committee on the 31 March 2025. This report sets out the governance and oversight arrangements for housing services, and the comprehensive programme of transformation work underway. An independent review of housing safety and compliance is also being commissioned, supported by senior officers.

Housing – Management of Tenant Management Organisations (TMOs)

6.3.4 Tenant Management Organisations (TMOs) play a pivotal role in delivering good landlord services. There have, however been, significant deficiencies in the management and governance of TMOs which have caused significant financial and reputational harm to the council and impaired the ability of TMOs to continue to provide high quality landlord services locally.

6.3.5 The council is implementing a financial governance process that allows for closer monitoring of the finances of the TMOs. This includes regular financial management accounts scrutinized by the TMO Governance Team, business planning training, and closer contact between the council and TMOs to ensure stricter governance.

6.3.6. To address identified weaknesses in TMO management and governance, the council has restructured the resident involvement service and created a specialist TMO Governance Team to focus on effective governance of TMOs from November 2024. A contract monitoring checklist and template have been developed jointly with the council’s internal auditors and the Housing Department, providing a detailed audit checklist against which all TMOs are monitored. This ensures good governance and compliance with the Modular Management Agreement (MMA) and building safety compliance, especially for TMOs with high-rise buildings. Where gaps are identified, training and support are provided, followed by a detailed and comprehensive service improvement plan for the affected TMOs.

6.3.7 To address governance issues within TMOs, there is increased scrutiny of accounts with mandatory quarterly management accounts. TMOs are now required to provide yearly business plans and demonstrate their short to medium-term viability with empirical financial data. The financial health of TMOs is now a required agenda item at each TMO Management Committee/Board meeting, and the minutes recording decisions are reviewed regularly by the TMO Governance Team to identify trends and spot concerns early. The issues and actions have been reported to the Audit, Governance, and Standards Committee on 3 February 2025.

Schools and Education

6.3.8 There is a London-wide issue of continuing decline of pupil numbers which led to a number of maintained schools experiencing financial difficulties due to the close link between pupil numbers and the funding. The council's Keeping Education Strong strategy has been working towards right sizing the school estate to ensure provision better matches need. As result of this strategy there has been a number of PAN (Published Admission Number) reductions, amalgamations and school closures across the borough over the last few years. The council remains at financial risk for any maintained schools that close with deficit balances. A joint board of Education Service and Finance officers has been working under a Licensed Deficit Framework to support schools in or at risk of entering a deficit, developing recovery plans to ensure financial sustainability.

Cyber security

6.3.9 Attempted cyber-attacks are a significant and ongoing risk for local government. The council continues to mitigate the real threat of cyber-attacks as far as feasible. All staff are required to undertake mandatory training in cyber security and data protection. Permanent threat blocking and identification software is deployed throughout the internal ICT infrastructure and that of the council's shared service provider. Reporting on the effectiveness of these measures is provided to the council's Senior Information Risk Owner (SIRO) each quarter. Cyber risk testing also forms part of the council's procurement checks when inviting new suppliers to work with the council via a digital interface.

ERP (Enterprise Resource Planning)- Southwark360

6.3.10 Southwark has used the current Enterprise Resource Planning (ERP) system 'SAP' for HR and Payroll, Finance and Purchase to Pay since 1999. The council is currently undertaking a procurement exercise to replace the existing system, with a modern integrated platform to perform core business processes. This is a major organisational transformation programme of systems, structure, culture, processes and procedures.

6.3.11. The Southwark360 programme has established a robust governance and organisation structure that facilitates, clear demarcation of roles and responsibilities, transparent channels of communication and escalation paths that enable strategic decision making and proactive measures for addressing challenges. To ensure robust financial management of the Southwark360 Programme, control processes are in place with monthly reporting of the overall financial position and ad-hoc, deep dive and challenge sessions on the Southwark360 Programme budget.

6.3.12. In addition, the programme has identified and mapped stakeholder groups as part of the development of business change, communication and engagement strategies, and to support the development of effective change management plans. Each workstream of the programme has one or more sponsors who are directors and strategic leads for the respective functional areas and are key stakeholder relationship owners.

6.3.13 The procurement strategy for the replacement of the ERP is for a fully integrated ERP solution which will require seven contracts ('Lots') for the individual aspects of the requirements. The general procurement approach for the programme was approved at June 2024 cabinet and all further decisions on individual contracts will be subject to cabinet approval to ensure robust decision-making and oversight.

The seven lots are set out as follows:

- Lot 1 – Vendor – provider of the software licenses and technology platform
- Lot 2 – Systems Implementer – provider to undertake solution design, software and technical configuration and implementation
- Lot 3 – Business Change – provider to effect the business and organisational change required for successful adoption of the new system
- Lot 4 – Data Migration – delivery of the data migration strategy, including moving data from the existing SAP system and other systems to the new system, as well as moving data from the legacy systems to the archiving system
- Lot 5 – Reporting – development of business intelligence reports and dashboards, including statutory and regulatory reports and data extracts.
- Lot 6 – Data Archiving – provider to implement storage for data that must be retained from legacy systems
- Lot 7 – Support Partner – who provides managed support and maintenance for the new system

6.3.14. The main contract (Lot 1) was awarded in March 2025, to SAP S/4HANA. Lots 2-5 have been through evaluation and moderation and a completion date expected in August 2025. Lot 6, is scheduled to commence in October 2025 and Lot 7 will commence early 2026 with a contract signature date planned for Spring 2026.

6.3.15 The programme has engaged the transformation team, subject matter experts and key users to define and agree requirements, undertake evaluations of contract bids and to ensure a robust, fair and compliant procurement. External legal and procurement expertise has been secured to bolster and assure the procurement, and to mitigate risks related to its complexity. The Programme Director of the Southwark 360 Programme regularly meets with the Programme Director of Future Southwark to ensure Programmes are aligned, especially where there are cross cutting programmes, interdependencies e.g. developing future operating models alongside systems development changes. In addition, the Southwark 360 programme team regularly reports on its progress, issues, key risks and benefits to the Southwark 360 programme board. Programme updates are also fed

back corporately and reported to the CTEB (corporate transformation and efficiencies board) alongside the council's wider transformation agenda.

6.3.16. The council is currently at the mobilisation phase, where key activities such as data cleansing, and the mapping of processes and procedures is being undertaken ahead of the start of the implementation phase in late 2025. The entire programme of work is expected to be delivered by the end October 2027.

Areas of significant change – looking forward to 2025-26 and the medium term

6.4 The council faces several areas of significant change that will require consideration and action as appropriate in 2025-26 and the medium-term. Significant issues that have been identified are summarised in Table 4 and discussed in paragraphs 6.4.1.

Table 4: Looking forward to 2025-26 and the medium term

Areas of Significant Change 2025-26	Action	Section and paragraph
Macro-economic outlook and impact on local government	The council's medium term financial strategy is set with prudent assumptions on future resources and updates reported regularly to cabinet	6.4.1-6.4.5
Local Government Reform	Central government plans to reform local government	6.4.6 -6.4.8
Statutory changes to Procurement	Action plan for implementing the new procurement regulations	6.4.9-6.4.11
Ongoing governance review	Continuous approach to improving governance	6.4.12-6.4.14

Macro-economic outlook and impact on local government

6.4.1 In the Spring Statement 2025, the Chancellor, Rachel Reeves, set out a 'new era of security and national renewal' aimed at kick-starting growth, protecting working people and keeping Britain safe. The changes made from the Autumn statement were designed to address the deterioration in

the economic outlook and to maintain the fiscal headroom. The Institute for Fiscal Studies (IFS)⁷ commented that as the headroom remained small, the renewed forecasts were sensitive to any small changes in productivity or economic growth. The substantive changes made were an increase in defence spending funded from the overseas aid budget, a change to working age benefits, and planning reforms to deliver a boost to housebuilding and economic growth.

6.4.2. In April 2025, President Trump announced a significant increase in trade tariffs, imposing a minimum 10% tariff on all U.S. imports, with higher tariffs on imports from 57 specific countries. The tariffs are expected to have profound economic and trade implications affecting the global economy. The announcement led to heightened volatility in the stock market and increased economic uncertainty. The overall impact on local government is uncertain, and is multifaceted, potentially affecting costs, budgets, and the economic environment. This presents another challenge for local government to plan and maintain fiscal stability while continuing to provide essential services to their communities.

6.4.3 The spending review has been conducted in two phases. The first phase, part of the Autumn Budget, set out spending plans for the financial year 2025-26 and provided additional funding for some departments in the current financial year. This showed an average real terms increase overall of 3.1% in 2025-26, dropping to 1.3% in the following three years, presenting a challenging financial environment for unprotected departments, such as local government. Rachel Reeves warned of "tough trade-offs" indicating that the government will need to prioritise between competing pressures on resources. This could mean budget cuts for some departments to meet the government's broader fiscal goals.

6.4.4. The IFS⁸ suggested in 2024, that the macroeconomic climate in the medium term would be challenging for any incoming government with limited options for improvement without greater than expected growth in national income per capita. Prior to the election the IFS predicted that real growth per person of 1% over all public services to 2028-29, translated to cuts of up to 3.5% per year in unprotected areas, such as local government. With population estimates rising more than expected the pressure on public budgets per person might be even higher.

6.4.5. Rachel Reeves multi-year spending review in June 2025, outlined the government's departmental spending plans from April 2026 to March 2029 (Phase 2). It provided a comprehensive and strategic framework for public spending, balancing immediate needs with long-term goals for national development. Local government core spending is set to increase by 3.8% in 2026-27, 1.9% in 2027-28 and 2.2% in 2028-29, with the assumption that council tax bills will rise by 5% each year. The council's medium term financial strategy was updated to reflect this announcement and was reported to July 2025 cabinet.

Local Government Reform

⁷ [Spring Statement 2025 | Institute for Fiscal Studies](#)

⁸ [Spring Budget 2024: IFS presentations | Institute for Fiscal Studies](#)

6.4.6. The [English Devolution White Paper](#) set out the government's vision for simpler local government structures, setting out a path to rebuild and reform local government and facilitating a programme of local government reorganisation for two tier areas and for unitary councils where there is evidence of failure or where their size of boundaries hinder the ability to deliver sustainable and high quality public services. The goal is to have universal coverage of Strategic Authorities and to reset the relationship between central and local government. While London councils are not part of the current structural reorganisation proposals, the White Paper indicates the direction of travel for local government, suggesting that changes may occur in the future.

6.4.7 The July 2025 cabinet report updated the Medium Term Financial Strategy (MTFS) and presented an initial view up until 2030. An early assessment of the impact of all these changes was included in the cabinet report. The report also highlighted areas where there is a potential risk of overspend in the current year, 2025-26 and provided updates on the progress of delivering savings and the transformation savings programme.

6.4.8 In December 2024, the Government announced that from 2026-27 it would introduce a new assessment of need and resources, building on the framework set out in the previous government's review of Relative Needs and Resources (originally Fair Funding Review). Part of this review is the planned reset of the business rates retention system, also due to take effect from April 2026. This reset aims to update the assessment of how much business rates are available, ensuring that the income retained by local authorities is allocated to the areas that need it most. This is a major funding reform for local government. At this stage, while detailed figures are not yet available, initial indications suggest that the council is likely to face a substantial reduction in central government funding. This reduction is expected to be introduced gradually over a three-year transitional period. Further clarity on allocations for individual authorities is anticipated in the provisional settlement, due in November/December 2025.

Statutory Changes to Procurement

6.4.9 The Procurement Act 2003 came into effect in February 2025 accompanied by the [National Procurement Policy Statement \(NPPS\)](#). The NPPS sets out the strategic priorities to enable public procurement to support the UK government's broader missions such as 'Delivering Value for Money' and 'Driving Economic Growth'. The NPPS mission statements cover four priority areas and include eight key statements that all contracting authorities, including Southwark Council, should adhere to.

6.4.10 The Procurement Act has introduced a requirement for greater transparency in the planning, defining requirements and then procuring and managing contracts that are covered under the legislation. Included within this is the mandated publication of a pipeline of future contracts that are over £2m in value. The Procurement Act also includes many new requirements in relation to the publication of notices for transparency, contract details and performance for applicable higher value contracts (over £5million) for the first time. It also introduces new obligations to consider opportunities for, and barriers to entry, for SME (Small and Medium-sized Enterprises) organisations in relation to procurement opportunities. As part of refreshing the Procurement Framework and development of the Social Value Framework, the council is exploring ways to support local Small and Medium

Enterprises (SMEs) to build relevant tendering capabilities and skills, including a one-year pilot to support Small and Medium Enterprises to tender for public sector contracts, which has now been launched.

6.4.11 The procurement framework for Southwark has been reviewed to align with the new procurement regulations and the corporate vision outlined in the Southwark 2030 strategy. The council has assessed these eight statements alongside the principles and goals of the Southwark 2030 strategy and developed an action plan for implementation. The changes introduced by the Procurement Act will necessitate adjustments to the council's procurement governance arrangements. A detailed work plan with key milestones has been established to ensure that all requirements are fully embedded into the council's processes by 2025-26.

Ongoing governance review

6.4.12 As discussed above, the council continues to commit to a shared long term vision of the future through Future Southwark and Southwark 2030. The Future Southwark programme will continue through Phase II in 2025–26, focusing on delivering the vision and goals set out in the Southwark 2030 strategy. This includes continued work on council culture, skills, accommodation, and service delivery models which will be overseen by the Corporate Transformation and Efficiencies Board (CTEB) to ensure delivery and integration across departments. The role of the CTEB is to continue providing strategic oversight of the Future Southwark Programme and cross council transformation activity. Integrated reporting on key council change programmes has been established to ensure that the organisation understands the synergies between programmes, is assured of delivery, develops connections and supports cross council collaboration.

6.4.13. The fundamental purpose of this work has been to shift to a whole-organisation approach around three themes;

- How we work; the approaches, tools, policies, values, ways of working and behaviours that we will need for the future
- Where we work; making sure we have fit for purpose places for work, and that they are professionally managed and maintained.
- Our skills for work; the skills, teams, methods and infrastructure that we need to be fit for the future.

6.4.14 Phase II will also focus on delivering corporate, cross-cutting savings through the Future Southwark programme. This includes targeted workstreams in areas such as corporate real estate, procurement and third-party spend, income maximisation, business resource redesign, workforce management, and digital transformation. These initiatives will be supported by a structured benefits realisation framework and tracked through robust governance processes, including oversight by CTEB. Savings delivery will depend on the pace of implementation, quality of data, and alignment with organisational priorities. Business cases and sourcing plans will be brought forward in stages, with quick wins anticipated in some areas.

Conclusion

7.1 This annual governance statement has reviewed the actions and outcomes that have taken place in 2024-25 and identified areas for review in future years, all set against a challenging set of external factors including the wider macroeconomic climate. Additional assurances, transformation and improvement plans have proactively been put in place to ensure that Southwark council remains resilient and ensures robust governance arrangements are in place to meet future challenges and changes.

7.2 The council is satisfied that appropriate governance arrangements are in place. Over the coming year it is proposed that steps are taken to address the matters identified above to further enhance the council's governance arrangements in these challenging times.

Signed on behalf of Southwark Council:

Althea Loderick

Sarah King

Chief Executive

Leader of the Council

Date:

Date

Agenda Item 12

Meeting Name:	Audit, Governance and Standards Committee
Date:	8 September 2025
Report title:	In year review of work programme 2025-26: September 2025
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Assistant Chief Executive – Governance and Assurance

RECOMMENDATIONS

1. That the audit, governance and standards committee note the proposed work programme for 2025-26

BACKGROUND INFORMATION

2. At their meeting in February 2025, the committee considered and agreed a work programme for 2025-26 and requested that this be brought back to future meetings for updates if required.

KEY ISSUES FOR CONSIDERATION

3. 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 was amended in 2016-17 when the committee was renamed and is stated 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.
4. 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 2 as they may further help the committee to determine items to be included in its work programme.

5. The work programme for 2025-26 has been included at Appendix 1 for the committee's consideration. Some items standing items which will be brought forward if and when they arise.
6. 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 programme therefore includes a standing item relating to review of the committee's work plan. There may also be a need to review the work programme to take account of any changes which may be agreed to the council's constitution during the year.
7. 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.
8. 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.
9. The committee is asked to consider whether the attached work programme reflects its priorities for the next year or whether there are other amendments which it would wish to see included.

Policy implications

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

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

Community impact statement

11. The decision to agree a work programme for next year is considered not to have a significant impact on any particular community or group.

Equalities (including socio-economic) impact statement

12. There are none.

Health impact statement

13. There are none.

Climate change implications

14. There are none.

Resource implications

15. There are none.

Consultation

16. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

APPENDICES

No.	Title
Appendix 1	Work programme 2025-26
Appendix 2	Extract from the constitution – Part 3K: Audit and governance committee

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources	
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer	
Version	Final	
Dated	28 August 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	N/A	N/A
Cabinet Member	No	No
Date final report sent to Constitutional Team	28 August 2025	

APPENDIX 1

WEDNESDAY 19 NOVEMBER 2025
Agenda Publication (5 clear working days): Tuesday 11 November 2025
Report Title
Governance conversation: Strategic Director of Children's and Adults' Care
Statement of accounts 2023-24: Final (Moved from September)
Audit findings reports (ISA 260) – including pension fund (part of accounts)
Progress report on the work of internal audit
Progress report on the work of anti-fraud
Auditor's Annual Report 2024-25, including annual audit letter and audit fee letters
External audit update report
Revised corporate risk register
Schools 2024-25 outturn
Enterprise Resource System Progress Update
Member induction and training
Outcomes of the whistleblowing policy
Request for recommendations for non-voting co-opted members of the civic awards sub-committee
Retrospective approvals to contract decision: GW3 Housing Aids and Adaptations (From September)
Retrospective approvals to contract decision: GW3 Communal Lighting & Electrical Testing (from July)
Review of member officer protocol (if required)
Review of communications protocol (if required)
Corporate governance framework (if required)
Work plan for 2025-26
TUESDAY 3 FEBRUARY
Agenda Publication (5 clear working days): Monday 26 January 2026
Report Title
Governance conversation: Chief Executive
Risk management and insurance
Pension fund audit plan for 2024-25
External audit plan for 2025-26
Internal audit plan and strategy for internal audit and Internal audit charter
Progress report on the work of internal audit
Progress report on the work of anti-fraud
External audit update report
Review of complaints made under Code of Conduct and update to code of conduct
Report on operational use of Regulation of Investigatory Powers Act
Annual report of audit, governance and standards committee
Annual work programme for following year (2026-26)
Nominations of non-voting co-opted members of the civic awards sub-committee for 2025-26
Audit update report (if required)
Retrospective approvals to contract decisions (if required)

Progress report on implementation of external audit recommendations (if required)
Corporate governance framework (if required)
Budget challenge and governance (if required)

Proposed governance conversations for 2026-27:

June 2026	Assistant chief executive, governance and assurance
July 2026	Assistant chief executive, strategy and communities

APPENDIX 2

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.

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		FINANCE
Councillor Barrie Hargrove (Chair)	1	Clive Palfreyman
Councillor Ellie Cumbo	1	Tim Jones
Councillor Dora Dixon-Fyle	1	Geraldine Chadwick
Councillor Adam Hood	1	Amarjit Uppal
Councillor Graham Neale	By email	Ashleigh Jones
Councillor Andy Simmons	1	
RESERVES		
Councillor Maggie Browning	By email	BDO (Internal Auditors)
Councillor Gavin Edwards	By email	Aaron Winter
Councillor Nick Johnson	By email	
Councillor Margy Newens	By email	
Councillor David Parton	By email	KPMG
Councillor David Watson	By email	Via Finance
OTHER COUNCILLORS		
Councillor Stephanie Cryan	By email	Total Print Run:
		9
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	List Updated: August 2025