Open Agenda

Audit, Governance and Standards Committee

Wednesday 19 November 2025
6.30 pm
Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

Membership	Reserves
Councillor Barrie Hargrove (Chair)	Councillor Maggie Browning
Councillor Ellie Cumbo	Councillor Gavin Edwards
Councillor Dora Dixon-Fyle MBE	Councillor Nick Johnson
Councillor Adam Hood	Councillor Margy Newens
Councillor Graham Neale	Councillor David Parton
Councillor Andy Simmons	Councillor David Watson
Councillor Kieron Williams	

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: 11 November 2025

PRINTED ON RECYCLED PAPER

Audit, Governance and Standards Committee

Wednesday 19 November 2025
6.30 pm
Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

Order of Business

Item No.	Title	Page No.
	PART A - OPEN BUSINESS	
	The chair would like to remind members that prior to the meeting they have the opportunity to inform officers of particular areas of interest relating to reports on the agenda, in order for officers to undertake preparatory work to address matters that may arise during debate.	
1.	**APOLOGIES FOR ABSENCE**	
	To receive any apologies for absence.	
2.	**CONFIRMATION OF VOTING MEMBERS**	
	A representative of each political group will confirm the voting members of the committee.	
3.	**NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT**	
	In special circumstances, an item of business may be added to an agenda within five clear days of the meeting.	
4.	**DISCLOSURE OF INTERESTS AND DISPENSATIONS**	
	Members to declare any personal interests and dispensation in respect of any item of business to be considered at this meeting.	
5.	**MINUTES**	1 - 4
	To approve as a correct record the minutes of the open section of the meeting held on 8 September 2025	

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

20. REPORT ON RETROSPECTIVE CONTRACT-RELATED DECISION: HOUSING AIDS AND ADAPTATIONS

Date: 11 November 2025

Southwark Council

Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Monday 8 September 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 Adam Hood Councillor Graham Neale Councillor Andy Simmons
OFFICER SUPPORT:	Clive Palfreyman, strategic director of resources Aled Richards, strategic director of environment, sustainability and leisure Paul Bergin, corporate fraud team leader Geraldine Chadwick, assistant director of finance (corporate) Aaron Winter, BDO Angela Mason-Bell, BDO Virginia Wynn-Jones, constitutional team

1. APOLOGIES FOR ABSENCE

Apologies for lateness and early departure were received from Councillor Ellie Cumbo.

2. CONFIRMATION OF VOTING MEMBERS

The members present were confirmed as the voting members.

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

The chair agreed to accept item 8, Repairs and Maintenance update, and item 10, 2025-26 half year report of the Corporate Anti-Fraud Team and the Special Investigations Team, as late and urgent.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

5. MINUTES

The minutes of the meeting of 14 July 2025 were agreed as a correct record.

6. ELECTION OF VICE-CHAIR

RESOLVED:

That Councillor Adam Hood be elected as vice-chair of the audit, governance and standards committee for 2025-26

7. GOVERNANCE CONVERSATION: STRATEGIC DIRECTOR ENVIRONMENT, SUSTAINABILITY & LEISURE

Aled Richards, strategic director of environment, sustainability and leisure, attended the meeting. Members had questions for the strategic director.

The strategic director undertook to circulate briefing notes on:

- The definition of a traffic-sensitive street
- An update on the planned womens' safety community build
- A draft of the items suggested for inclusion in the planned quarterly briefing
- The changes in estates recycling.

The committee thanked the strategic director for attending.

8. REPAIRS & MAINTENANCE UPDATE

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

Officers undertook to bring back briefing notes on:

- Details of the planned £40m spend on estates-based planned maintenance
- Details of the planned £30m spend on communal roofing, including the projected number of properties being brought back into use through this programme.

Officers undertook to include information on performance and budget setting in the HRA report due to the committee in November 2025.

RESOLVED:

1. That the committee noted positive trends in relation to performance against the Improvement Plan agreed with the Regulator for Social Housing (RSH), and good progress towards our commitment to become a Good Landlord, including plans to strengthen the Repairs Service.

2. That the committee noted ongoing delivery of the current capital investment programme, and its focus on health, safety and compliance.

3. That the committee noted the timeline for the development of a new 5-year

investment plan, based on the findings of the stock condition survey and engagement with our residents and stakeholders.

9. INTERNAL AUDIT PROGRESS REPORT SEPTEMBER 2025

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

The auditors undertook to bring back a written update on the outcomes from the housing allocations audit.

The auditors undertook to circulate a briefing note including the figures for the KPIs of the highways maintenance team following that audit.

RESOLVED:

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

10. 2025-26 HALF YEAR 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 include further information on how information sharing is managed in other London councils to their next update report.

RESOLVED:

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

11. ANNUAL GOVERNANCE REPORT 2024-25

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

RESOLVED:

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

12. IN YEAR REVIEW OF WORK PROGRAMME 2025-26: SEPTEMBER 2025

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

Officers undertook to bring back reports on:

- Complaints and customer service, including member enquiries (November)
- Housing asset management (As available)

- HRA report to include performance and budget setting (November)

And for currently scheduled items to include further details listed in the relevant minute for this meeting.

RESOLVED:

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

Meeting ended at 8.30 pm

CHAIR:

DATED:

Agenda Item 6

Meeting Name:	Audit, governance and standards committee
Date:	19 November 2025
Report title:	Internal audit progress report November 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 audits relating to completion of the 2024-25 internal audit plan, and work undertaken and the results of audits 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 November 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	11 November 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			11 November 2025

BDO

London Borough of Southwark

Internal Audit Progress Report

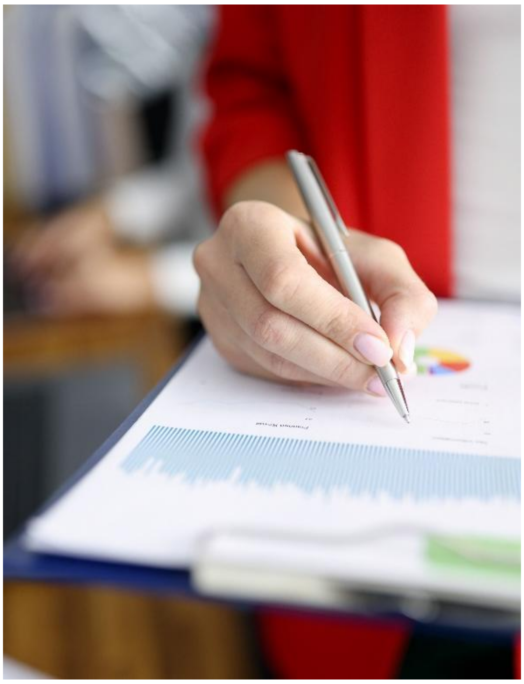
For presentation to the Audit, Governance and Standards Committee 19 November 2025

IDEAS | PEOPLE | TRUST

CONTENTS

1. Summary of work

Internal Audit



This report informs the Audit, Governance and Standards Committee of the results of the audits relating to completion of the 2024-25 internal audit plan, and work undertaken and the results of audits 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, since the last meeting of the Committee, final reports have been issued for the remaining two audits, as outlined within section two of this report. The executive summaries are included in section four of this report.

Internal Audit plan 2025/26

In respect of the 2025/26 internal audit plan, the status of work completed to date and future planned audits are outlined within section three of this report. For those reports finalised since the last meeting of the Committee, the executive summaries are included in section four of this report.

Follow up of recommendations

Of the 256 high and medium recommendations relating to 2022-23 to 2024-25 that have fallen due as of 31 October 2025, we have been able to confirm with reference to evidence that 237 have been fully implemented or superseded. This result represents an overall implementation rate of 92.6%.

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.

Following the request by Members at the September 2025 meeting of the Committee, we have undertaken an early follow up of the implementation of the recommendations raised within the Housing Solutions – Applications and Allocations audit. This update is included in our supplementary report.

Internal Audit schools programme 2025/26

The schools below have been agreed with the Children Services Leadership Team and will be subject to a cyclical audit this year. Dates for site visits are being confirmed with the schools, to be completed during the period December 2025 to March 2026:

School	Month
Albion Primary School	December 2025
Cherry Garden School	December 2025
St Saviour's and St Olave's Church of England School (follow up)	December 2025
Beormund Primary School	January 2026
Dulwich Wood Nursery School	January 2026
Ilderton Primary School	January 2026
Dulwich Village Church of England Infants' School	February 2026
English Martyrs' Catholic Primary School	February 2026
St James The Great Roman Catholic Primary School	March 2026
Kintore Way Nursery School and Children’s Centre	March 2026
Phoenix Primary School	March 2026

In addition, the following schools have been identified for inclusion in the thematic review of pension arrangements, which is being undertaken in November and December 2025:

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

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 have been requested to carry out a grant audit relating to DfE 16 to 19 Vulnerable Pupil Bursary Fund received by St Thomas Apostle School & Sixth Form College. We are developing a terms of reference and agreeing dates for the audit.

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 two remaining audits relating to the 2024-25 internal audit plan. The executive summaries are included in section four of this report.

AUDIT	DIRECTOR / SPONSOR	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Children and Adult Services / Integrated Health and Care						
Foster Carers	Director, Children & Families	✓	✓	Final Report	M	M
Environment, Leisure and Sustainability						
Waste Contract	Director, Environment	✓	✓	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 have been 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	Final ToR	✓			
Hospital Discharges	Director, Adult Social Care	Final ToR	✓			
Nursing and Residential Care	Director, Adult Social Care	Draft ToR	Q3			
Public Health - 0 to 19	Director, Public Health	Final ToR	✓	Final Report	M	M
School Admissions	Director, Children and Families	✓	Q4			
Schools Thematic Review - Pensions	Director, Children and Families	Final ToR	Q3			
Short Breaks and Respite Care	Director, Adult Social Care	Draft ToR	Q3			
Social Care Contract Management	Director, Integrated Commissioning	✓	Q4			
Summerhouse	Director, Children and Families	Draft ToR	Q3			
Teachers Pensions Service	Director, Children and Families	✓	✓	Final Report	N/A	N/A
Travel Assistance	Director, Children and Families	Final ToR	✓			
Waiting Lists - Older People and Physical Disabilities	Director, Adult Social Care	Final ToR	✓			
Environment, Leisure and Sustainability						
CCTV	Director, Environment	✓	Q4			
Commercial Waste	Director, Environment	Final ToR	✓			
Culture and Events	Director, Leisure	Draft ToR	Q4			
Estates Lighting	Director, Environment	Final ToR	✓			

AUDIT	DIRECTOR / SPONSOR	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Health and Safety Enforcement	Director, Environment	Final ToR	✓			
No Recourse to Public Funds	Director, Stronger Neighbourhoods	Draft ToR	Q3			
South Dock Marina	Director, Leisure	Final ToR	Q4			
Governance and Assurance						
Corporate Facilities Management	Director, People and Organisational Development	Final ToR	✓			
Corporate Health and Safety	Director, People and Organisational Development	✓	Q4			
Induction	Director, People and Organisational Development	✓	✓	Draft Report 18/08/2025 Updated 29/10/2025		
Payroll	Director, People and Organisational Development	Final ToR	✓			
Southwark Stands Together	Assistant Chief Executive, Governance and Assurance	Draft ToR	Q4			
Housing						
Asset Management Systems	Director, Repairs and Maintenance	Final ToR	Q4			
Building Safety	Director, Landlord Services	Draft ToR	Q4			
Commercial Properties - Garages	Director, Landlord Services	Final ToR	Q4			
Temporary Accommodation	Director, Housing Needs and Support	Final ToR	✓			
Tenancy Management Organisation - D'Eynsford	Director, Landlord Services	Final ToR	✓			
Tenancy Management Organisation - Leathermarket Joint Management Board	Director, Landlord Services	Final ToR	✓			
Tenancy Management Organisation - Webber and Quentin	Director, Landlord Services	Final ToR	✓			

AUDIT	DIRECTOR / SPONSOR	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Resources						
Capital Expenditure Management	Director of Corporate Finance	Draft ToR	Q4			
Contract Management	Head of Procurement	✓	Q4			
Key Financial Systems - Accounts Payable / Mosaic	Director of Customer and Exchequer Services	✓	Q4			
Key Financial Systems - Accounts Receivable	Director of Customer and Exchequer Services	✓	Q4			
Key Financial Systems - Reconciliations	Director of Customer and Exchequer Services	✓	Q4			
IT - Application (line of business Tier 1 system)	Chief Digital and Technology Officer	✓	Q4			
IT - Back Up and Restoration	Chief Digital and Technology Officer	Final ToR	✓	Draft Report 23/10/2025		
IT - Cyber Security-Vulnerabilities Management	Chief Digital and Technology Officer	Final ToR	✓			
IT - Major Incident Response/Business Continuity	Chief Digital and Technology Officer	Draft ToR	Q3			
Pensions Administration	Head of Pensions Operations	Draft ToR	Q3			
Procurement	Head of Procurement	✓	Q4			
Strategy and Communities						
Communications and Media	Director of Communications, Engagement and Change	✓	✓	Final Report	N/A	N/A
Change Management / Future Southwark	Programme Director, Future Southwark	Draft ToR	Q4			
Performance Monitoring	Director of Communications, Engagement and Change	✓	Q4			
Voluntary Sector Grants	Director of Communications, Engagement and Change	Final ToR	✓			

4. Executive summaries

COMMUNICATIONS AND MEDIA

Design Opinion	N/A - ADVSIORY	**Effectiveness Opinion**	N/A - ADVSIORY
Recommendations	0 / 3 / 0		

PURPOSE

- To assess the adequacy and effectiveness of the governance and risk management controls relating to the Council's external communications and media responses. The media team has recently undergone a change in personnel, and the team is in the process of strengthening the control framework. Therefore, we carried out an advisory review to consider the work being undertaken by the Council and raised recommendations on areas of improvement to support the team's process.

AREAS OF STRENGTH

- The Council has comprehensive, up to date policies, protocols, and procedures, including social media, that officers should follow when communicating with the media. The protocols are designed to mitigate the risk of delays or missteps in responding to emergencies or serious incidents.
- The Press Office runs diverse communications and media channels to ensure news and participation reach all sections of the borough. The Press Office is open 24/7, 365 days a year. Key stakeholders have been identified, and we confirmed that the Borough's demographics / groups receive appropriate and targeted information.
- Journalist inquiries and media campaigns are recorded on communications and intelligence case management system, Vuelio. This platform is used by over 500 public sector organisations. For social media management, the Orlo platform is used, which is tailored for the public sector and used by 30% of local councils.
- User access to each of the Council's social media accounts is well managed and access has been updated when employees leave the department or Council to mitigate the risk of unsuitable or unprofessional social media communications.
- For a sample of ten communications and media responses we confirmed that there was a robust review and approval process prior to issue.
- Communication activities are evaluated for impact using tools including channel analytics, a resident communication panel and twice-yearly Resident Insight Survey.

AREAS OF CONCERN

- There is no overarching standalone Communications Strategy, increasing the risk that stakeholder engagement may be poor or missed, leading to confusion, negative media coverage, and erosion of public confidence.
- The Council's official news / media library has only 159 official press/media releases: 2024 (82) 2025 (77). There is a lack of clarity regarding whether key or still relevant news articles are accessible from the old website or if they can be migrated to the new content management system or held in a "historic news" archive. There is no clear retention policy for news and media materials. There is a risk of inconsistency or contradiction in current communications, and complaints if the Council is perceived to have "erased" or neglected its communication history, potentially leading to reputational risk, or Ombudsman complaints.
- The communications and media leadership team, formed in 2024, is relatively new. The team, a blend of experienced permanent staff in key core roles is made up of 50% of the officers being on temporary rather than permanent contracts. There is a risk of reliance on agency or interim staff who may have less in-depth understanding of the Council's strategy, history, culture and key stakeholders, weaker institutional memory, will be more expensive longer term.

FOSTER CARERS

Design Opinion	M	Moderate	Effectiveness Opinion	M	Moderate
Recommendations	0	3	0		

PURPOSE

To provide assurance on the adequacy and effectiveness of the controls around the appointment and payment of foster carers and how the Council ensures that foster carers meet the Council's initial and ongoing requirements.

AREAS OF STRENGTH

- Comprehensive, up-to-date policies are in place, including a Fostering Panel to support and regulate foster carers within the Borough.
- The Fostering Payments to Carers Policy 2024-25, Fostering Handbook and the Council's webpages contains information for foster carers regarding the expectations on them, financial support and allowances, and supervision and support by supervising social works, support groups, training, mentoring, respite breaks.
- There is a Fostering Panel, an independent body within the Council's fostering service whose role is to ensure the safety and well-being of children in foster care. Comprising professionals with expertise in fostering, childcare, health, and education. The panel is chaired by an independent professional, to ensure objectivity in its deliberations.
- Once approved each foster carer is assigned a dedicated Supervising Social Worker.
- The Children and Families Scheme of Management was up to date.
- The Director of Children and Families has oversight of the fostering service via the detailed activity reports presented by Finance and reports directly to the corporate parenting committee and Council Scrutiny committee (groups of elected members) who support and challenge the work of the division.
- The budget for Foster Carers is being well managed. The combined budgets for 2024/25 for Fostering Allowances and Kinship Fostering Allowances was £4.64m and outturn was £4.24m. The budget for 2025/26 was set at £4.37m, and the year-end forecast as at the end of September 2025 was £4.08m. Financial management at cost centre level is undertaken through established monthly reporting from SAP and case management dashboard reporting from Mosaic, which are reviewed by the Head of Service and discussed at Children's Senior Leadership Team on a monthly basis. SAP is integrated with Mosaic through unique ID references.

AREAS OF CONCERN

- From our review of a sample of 10 foster carer agreements we found the absence of a clear audit trail between the fostering panel decisions, foster carer agreements, and social worker approvals. Whilst we were satisfied that the payments for enhancements and additional allowances were correct, we found that in one case the fostering agreements was unsigned by one of the foster carers, and two fostering agreements could not be linked to the audit sample request.
- In one of our sample we noted that a payment of £3,580 was recovered. The rationale for the recovery of the payment was not clearly documented on Mosaic.
- A Mosaic fostering dashboard has been developed for Social Workers to monitor scheduled supervisions, flag changes in circumstances and to check that allowances and fee payments have been adjusted appropriately. Our review identified that the payment enhancements, adjustments and additional payments which can be approved or terminated by social workers mid-year did not include clear start and end/review dates to ensure Finance set up start and end/review dates to mitigate the risk of overpayments.

PUBLIC HEALTH - 0 TO 19

Design Opinion	M Moderate	Effectiveness Opinion	M Moderate
Recommendations	0 3 0		

PURPOSE

To provide assurance over the adequacy and effectiveness of the contract management of the 0-19 service.

AREAS OF STRENGTH

- The School Nursing and Health Visitor Contract, covering the period 1 October 2024 to 31 March 2027, provides a clear outline of the delivery plan and objectives of the Public Health 0-19 services. It includes key roles and responsibilities for both the Council and Guys and its partner provider, St Thomas' NHS Foundation Trust (GSTT).
- Quarterly Contract and Performance meetings are held to discuss contract performance, reports, and service development updates, including achievement against the 17 contractual KPIs and associated metrics.
- At the end of the financial year, KPIs are analysed and given a RAG rating to analyse the performance against the London and England average. For the year ending 31 March 2025, 12 out of 17 KPIs were awarded a green rating.
- There is a clear termination procedure outlined in the Service Contract, allowing both the Council and the Provider to terminate the contract. Minor Contract variations are discussed in quarterly meetings while large variations over £100,000 require a Gateway 3 report for approval by strategic director, of which none have been required to date.
- We confirmed that the contractual payment dates and quarterly costs agreed within the contract had been met by reference to the 2024/25 Expenditure Transaction reports, with payments of £1,462,107.81 (Health Visiting) and £296,153.96 (School Nursing) evident twice prior to the financial year end 31 March 2025, as per the Council approval processes outlined in the contract.

AREAS OF CONCERN

- We could not confirm that there is oversight in place over the contract obligations within the contract service specification, ensuring responsibilities and actions are managed and monitored. For our sample of three contract obligations, we could not confirm that they had been reviewed and signed off as met. Delivery of obligations had previously not been documented or discussed in contract meetings and there has been a lack of incorporation of obligations in existing documents such as the Programme Management Dashboard and KPI performance management.
- The Programme Management dashboard was initially used to log risks and mitigating actions for specific areas of the contract. However, it has not been fully completed/kept up-to-date since it was introduced. From our review there were multiple sections incomplete, including Lead Officers for two risks, and Key Developments, Key Issues and Key Actions for eight risks, with no further comments providing explanation. The Risk log within the Programme Management Dashboard contains three risks, which are rated Low to High and assigned a Risk Manager, however, these risks have not been monitored or followed up.
- In the 2024/25 year-end report, five out of 17 KPIs were given an amber or red RAG rating. A list of prioritised KPIs is outlined in the 0-19 Service Development and Improvement Plan, which is produced in collaboration with GSTT, although this is in draft. However, there is insufficient detail to explain the reasoning behind the ratings, and SMART targets are not incorporated to attempt to improve this service area in the next quarter.

TEACHERS PENSIONS SERVICE

Design Opinion	N/A ADVSIORY		Effectiveness Opinion	N/A ADVSIORY
Recommendations	0	3	0	

PURPOSE

- To review the new Teachers' Pensions Scheme management processes and arrangements to confirm whether they have been established appropriately.
- Given that the team and associated processes are relatively new, this was an advisory review, and internal audit assurance opinions have not been provided to act as a supportive piece of work alongside the processes being embedded/becoming operationally effective.

AREAS OF STRENGTH

- Job descriptions are in place for all posts within the TP team which set out the roles and responsibilities. This clarity is supplemented by the consequent amendment to the Head of Schools HR job description to include responsibility for the team. The team has also held an away day to discuss their areas of responsibility, direction of travel and communications plan for the 2025-26 academic year.
- We confirmed that the Council had completed the monthly contribution return to the TPS by the required deadline and in a timely manner for all three months sampled and was proactive in resolving the warning errors and services errors produced following this.
- Routine communications with schools have been established. A monthly newsletter is being sent to school business managers and headteachers that provides detail of important key dates and general updates on TPS matters. There is a section of the schools HR website with information relating to the TPS and key contacts. As arranged by the Head of Schools HR, members of the TPS team attended the school business manager's forum to respond to any queries.
- The Teachers Pension team meets monthly to discuss priorities and develop the service, which is supported by weekly catchups with the schools finance team.

AREAS OF CONCERN

- There were no documented policy or procedure outlining the team's responsibilities, including the circumstances where penalties (incurred by the council) can by recovered and/or charges made to schools specifically in respect of teachers' pensions, in accordance with the council's Scheme for Financing Schools.
- For Council-employed staff working with schools, there was no established framework to determine whether their employment conditions require enrolment with the Local Government Pension Scheme (LGPS) or the Teachers' Pension Scheme (TPS). We identified that two queries arising from the monthly returns were outstanding at the time of our audit that were nearly over the three month timescale. These were being tracked by the Council who chase the school and payroll provider for a response.
- Monthly meetings did not have an action log in place, and there was no reporting to the Children's Services Leadership Team on the annual certification of the contributions made.

WASTE CONTRACT

Design Opinion	M Moderate	**Effectiveness Opinion**	S Substantial
Recommendations	0 2 2		

PURPOSE

To provide assurance over the adequacy and effectiveness of the contract management arrangements, delivery against KPIs and financial management arrangements on the waste management contract.

AREAS OF STRENGTH

- The Waste Management Team has developed a structured and proactive approach to monitoring the waste contract's performance. Quarterly KPI dashboard reports are used to track key metrics such as missed collections, recycling rates, recovery rates, and residual waste per household. These reports include commentary to explain outcomes, identify root causes, and outline corrective actions.
- We confirmed from review of the dashboards from Q4 2023/24 to Q3 2024/25, that performance was regularly reviewed, and underperformance, such as recycling rates below the 38% target, was addressed with a formal rectification plan, detailing agreed improvement actions.
- KPI reports are reviewed by the Head of Waste and Cleaning and performance updates are provided to the Director of Environment and the Cabinet Member for Environment.
- The Waste Management Team also monitors landfill and recovery performance through the quarterly dashboard reports. Recovery rates, defined as the proportion of waste diverted from landfill, are independently verified by the Waste Contract and Strategy Manager using raw weighbridge data. Variances are reviewed and reconciled through monthly meetings. From Q4 2023/24 to Q3 2024/25, the recovery target of 98% was consistently met, with less than 2% of waste sent to landfill each quarter. Only inert construction and demolition waste was sent to landfill due to limited market demand. We confirmed that this data was supported by underlying data reports.
- The team ensures royalties under the contract are correctly calculated and deducted using the formula in the Payment Mechanism. We confirmed that the royalty calculations for the three sampled months were accurate. A detailed spreadsheet verifies monthly payments, and the Waste Contract and Strategy Manager reconciles draft invoices prior to internal approval for submission.
- The team has a process for approving monthly contractor invoices, which is in accordance with the Scheme of Management. The approval pathway includes an initial review by the Waste Contract and Strategy Manager, secondary review by the Head of Waste and Cleaning and final approval by the Director of Environment. Our review of three invoices confirmed required checks and approvals had been applied.

AREAS OF CONCERN

- There was no written process documentation for the waste reconciliation and invoice checking process, including use of the complex internal spreadsheet that ensures correct payments were made to the contractor.
- The operational risk register was only being updated on an annual basis and there was no formal process to systematically review the risk register to ensure it reflected emerging risks, changes in the operating environment and the associated controls.
- Actions arising at monthly contract monitoring meetings are not recorded in a structured format for consistent action tracking and monitoring.
- Meeting agendas and minutes were not provided within the contractually agreed timescales for the three sampled monthly monitoring meetings.

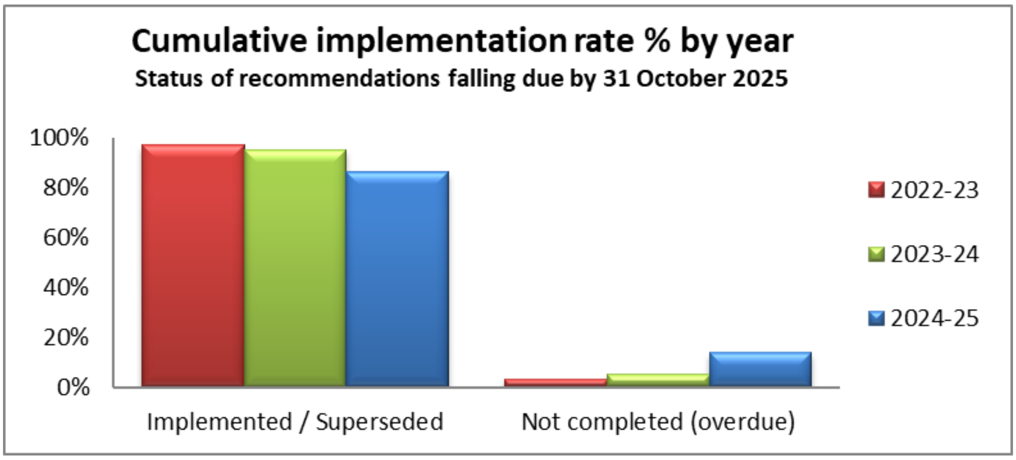
5. Summary of recommendations status

Of the 256 high and medium recommendations relating to 2022-23 to 2024-25 that have fallen due as of 31 October 2025, we have been able to confirm with reference to evidence that 237 have been fully implemented or superseded. This result represents an overall implementation rate of 92.6%.

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.

Please note the figures do not include the status of the Housing Solutions – Applications and Allocations as this was an early follow up exercise, ahead of the original implementation dates.



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

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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The matters raised in this report are only those which came to our attention during our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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London Borough of Southwark

Supplementary report - follow up status details

For presentation to the Audit, Governance and Standards Committee 19 November 2025

IDEAS | PEOPLE | TRUST

INTERNAL AUDIT FOLLOW UP - STATUS UPDATE DETAILS

Of the 256 high and medium recommendations relating to 2022-23 to 2024-25 that have fallen due as of 31 October 2025, we have been able to confirm with reference to evidence that 237 have been fully implemented or superseded. This result represents an overall implementation rate of 92.6%.

Note that the figures above do not include the status of the Housing Solutions – Applications and Allocations review.

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~~ ~~March 2024~~ ~~August 2024~~ ~~January 2025~~ ~~August & September 2025~~ December 2025
2023-24 Direct Payments	6	1	4	-	1	-	-	83%	~~July 2024~~ ~~March 2025~~ November 2025
Environment, Sustainability and Leisure directorate									
2024-25 Enforcement	3	-	1	-	2	-	-	33%	~~September 2025~~ December 2025
Governance and Assurance									
2022-23 Supplier Resilience	5	1	3	-	1	-	-	80%	~~August 2023~~ ~~January 2024~~ ~~February 2025~~ ~~July 2025~~ *January and March 2026*

Audit Area	Total H & M	Implemented		In progress		Awaiting update/ evidence		% Verified complete	Management Implementation dates
		H	M	H	M	H	M		
2023-24 IR35	8	3	4	-	-	-	1	88%	~~July 2024~~ ~~February to May 2025~~ ~~September 2025~~ *Awaiting evidence*
Housing Directorate									
2023-24 Social Housing White Paper	1	-	-	-	1	-	-	0%	~~July 2024~~ ~~March 2025~~ ~~September 2025~~ June 2026
2024-25 Asset Management Statutory Compliance	6	1	2	1	2	-	-	50%	~~April 2025~~ ~~June 2025~~ November 2025 & March 2026
2024-25 Gloucester Grove Tenant Management Organisation	8	1	4	-	3	-	-	63%	~~July 2025~~ November 2025
2024-25 Housing Tenancies	5	2	3	2	3	-	-	0%	~~July 2025 & March 2026~~ November 2025 & March 2026
2024-25 Housing Solutions – Applications and Allocations	6	-	1	-	5	-	-	17%	~~September & December 2025~~ November & December 2025 & May 2026
Resources Directorate									
2024-25 STS Financial Management	2	-	-	-	2	-	-	0%	~~August 2025~~ January 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 of 6 November 2025 when this report was finalised.

IMPLEMENTATION STATUS UPDATES

The table below summarises the latest updates with regards to the recommendations, where provided.

To address the action following the September 2025 of the Committee meeting, we have included the results of our early follow up on the implementation of the recommendations relating to the audit of Housing Solutions - Applications and Allocations.

Note that where we have previously reported updates and notified of revised implementation dates that have not yet fallen due, the recommendations will be followed up and reported ahead of the relevant future meetings of the Audit, Governance and Standards Committee.

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
Children and Adults Directorate		
2021-22 Safeguarding Adults		
Team management should complete quarterly sample checks to ensure referrals are completed and documented appropriately. Where issues are identified training should be implemented for the team or individuals to ensure these are resolved. Medium	Principal Social Worker and Strategic Lead for Safeguarding Adults and DoLS Service Development ~~August 2023~~ ~~January 2024~~ ~~March 2024~~ ~~August 2024~~ ~~September 2025~~ December 2025	We were advised by the Director of Adult Social Care that ASC has experienced a period of uniquely intense activity, in recent months, as they have prepared for inspection by the Care Quality Commission (CQC). There has also been a period of significant transition, with the departure of the Principal Social Worker (PSW), arrival of an interim PSW and welcome of the new, permanent, PSW on 6/10/2025. These changes have impacted the service's capacity to finalise the changes in safeguarding documentation and introduction of a safeguarding audit cycle. The new PSW is prioritising collaboration with the practitioners who have been leading on the proposed changes in safeguarding documentation, in order to limit the need to make further alterations following roll out to the workforce. Consideration will be given to the introduction of a centralised safeguarding panel/clinic, alongside the introduction of localised team model of safeguarding panel/models. This will be based on the considered value and sustainability of either model.

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
The Performance and Quality Team should undertake monthly audits focusing on safeguarding to ensure that any issues are identified and resolved by the team. Medium	Principal Social Worker and Strategic Lead for Safeguarding Adults and DoLS Service Development ~~August 2023~~ ~~January 2024~~ ~~March 2024~~ ~~August 2024~~ ~~August 2025~~ December 2025	We were advised by the Director of Adult Social Care that whilst ASC undertook 105 case audits in 2024, these were not specifically safeguarding focused. Work to design a practical and impactful safeguarding audit tool, and to agree a robust model of safeguarding auditing will begin in October 2025 and will be led on by the new PSW.
Environment, Sustainability and Leisure Directorate		
2024-2025 Enforcement		
1a. Written policy and procedure documentation should be implemented and include the following: • Local targets for all FPNs to be entered into the Civica system within a set timeframe eg seven days of issuance. • A clear procedure for the follow-up of unpaid fines including a schedule for sending reminder letters, and appropriate postage requirements. • A standard procedure for processing void FPNs, including clear documentation and timely entry into Civica APP. • Guidance for handling contested FPNs, which should include clear criteria for decision-making and a standardised process to ensure consistency. 1b. Procedural documentation could also benefit from monitoring procedures including: • Key performance indicators and reporting on whether letters have been sent within the timeframes specified by local targets. • Batch sampling/review of contested cases by officers eg in 1 to 1s.	1a. Strategic Team Leader 1b. Operational & Strategic Team Leaders and Business Support Officer 1c. Strategic Team Leader 1d. Strategic Team Leader ~~August 2025~~ December 2025	We were advised by the Head of Regulatory Services that procedural documentation is being reviewed in line with recommendations and updated accordingly. Processes for FPNs to be entered on Civica within 24hrs of issuance (with the exception of absences). A procedure for follow up letters etc. is in place and recorded on Civica. Procedure in place for void FPN and documents to be update on Civica within 10 working days. Documentation is currently being implemented which seeks to incorporate the recommendations as referenced. TLs undertake dip sampling of contested FPNs and any issues identified are raised with officers during 121s or sooner (if required). The team is currently working with CIVICA to improve the IT location request process, streamline process re: FPN reminder letters to remove manual entry and data integrity which includes staff training.

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
1c. Enquiries should be made with Civica as to potential IT solutions to enable more efficient generation of reminder letters that require fewer manual inputs. Additionally, enquiries could be made regarding exception reporting to offer a second line of defence to identify cases that are delayed or have missing info to rectify / ensure accurate and complete records. Medium		
3a. Design of management reporting should be considered and updated to include: • Recovery rate of fines to provide a clearer picture of financial performance and enforcement effectiveness. • A reconciliation process to compare the monthly report figures with detailed reports to identify and resolve discrepancies. • Key performance indicators such as issuance of reminder letters within target time frames, number of repeat offenders, proportion of FPNs contested and waived (the Council may also wish to consider other indicators). 3b. In addition to reporting of recovery rates, additional debt recovery processes, and liaison with the debt recovery team to increase recovery rates should be explored. 3c. Reporting requirements should be included in process documentation as per recommendation 1a. Medium	3a. Strategic Team Leader and Business Support Officer 3b. Strategic Team Leader and Enforcement Officers 3c Strategic Team Leader and Business Support Officer ~~September 2025~~ December 2025	We were advised by the Head of Regulatory Services that the team has been working with the data analyst to collate this information a central report for ease of providing clarity to the EE work undertaken, financial contexts and outstanding monies. Work has commenced on a draft debt recovery document which is a working document yet to be finalised, which will seek to incorporate, debt recovery processes and rates exploration.
Governance and Assurance		
2022-23 Supplier Resilience		
7.1 Ensure all contracts include Key Performance Indicators to measure the performance of the supplier. 7.2 Ensure all contract managers regularly monitor performance of the supplier in line with the contract. **Medium**	Chief Officers / CMT Strategic Director of Finance and Assistant Chief Executive - Governance and Assurance ~~August 2023~~ ~~October 2023~~ ~~January 2024~~	7.1 The Contract Management review was competed as set out but there were challenges with available resources, especially with the Procurement Act (PA) coming into force and preparations that were required for the council as part of prioritisation of resources. All new contracts under the Procurement Act are required to include KPIs in the published contract notices. The PA Team are trying to capture as examples of KPIs that work to share as more examples of tenders under the Procurement Act are created. This is being gathered from

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Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
	~~February 2025~~ ~~July 2025~~ 7.1 - January 2026 7.2 – March 2026	current contracts that are well performing, as well as from those used under the PA by Southwark Council and wider public sector. This will be shared with officers to aid those procuring. 7.2 The management of contracts is the responsibility of Lead Contract Officers and their Chief Officers as set out in Contract Standing Orders. A wider transformation and review of procurement and commercial activity is currently happening as part of the Future Southwark work – this will support the structural and systemic support of contract and supplier performance management for the council.
2023-24 IR35		
6.1Ensure off-payroll working compliance is regularly reported to Senior Leadership, to ensure there is an appropriate level of oversight over off-payroll working. Medium	Director of People and Organisational Development ~~September 2025~~ *Awaiting evidence of implementation*	The Director of People and Organisational Development advised us that data on outside IR35 assignments is being incorporated into the workforce tab of the Chief Executive's Performance Dashboard, which is reported quarterly to the chief executive and the corporate management team. This dashboard, including data on outside IR35 assignments, is next due to be reported in November 2025.
Housing		
2023-24 – Social Housing White Paper / regulation Bill		
1.1 The Council should look to review its allocations policy to ensure it is compliant with current government guidance and any specific requirements of the Social Housing Regulation Bill Service. 1.2 The new policy should include a date for future review and assignment of responsibility for updating the policy to ensure that the policy is continually updated. Medium	Service Development Manager ~~June 2024~~ ~~March 2025~~ ~~June 2025~~ ~~September 2025~~ June 2026	The Service development Manager advised us a review of the policy has been completed with a draft policy ready for consultation. External guidance has been provided in order to aid in the development of the draft policy with reference to updated government guidance as well as updated legal, social, and economic circumstances. Consultation was due to take place in the summer 2024, however due to the elections, a revised timeline was prepared and there is revised date for full implementation by June 2026.
2024-25 - Gloucester Grove Tenant Management Organisation		
6.1 The Equal Opportunities Policy should be reviewed annually and approved by the Board to ensure that the policy is up to date and in line with best practice. Medium	TMO Interim Manager, ~~July 2025~~ November 2025	The TMO Manager advised us that the policy will be reviewed by the Board in November 2025.

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
7.1 Pre-employment checks should be completed prior to staff members commencement to employment. This should include ID verification, DBS checks, references, and applicable qualifications. Medium	TMO Interim Manager, ~~July 2025~~ November 2025	The TMO Manager advised us that they are currently working in collaboration with their HR consultancy, Peninsula to draft and formalise their employment policies and procedures. The process is actively underway. They have been carrying out pre-employment checks.
8.1 Staff appraisal procedures should be put in place and should use the Council's best practice procedures as a basis of making their own. Medium	TMO Interim Manager, ~~July 2025~~ November 2025	The TMO Manager advised us that this procedure is currently being updated.
2024-25 Housing Tenancies		
1a. Training should be provided to RSOs which cover examples of best practice, residency and ID checks, target timeframes for completion and prioritisation of referrals (see recommendation 3b). 1b. An analysis of performance should be conducted across the geographical areas and identify factors which are contributing to delays in the completion of audits. Once the investigation is complete, corrective actions should be agreed e.g., 1-1s, further training of staff. 1c. Consider the implementation of a digitised system to manage tenancy audits which will support consistent completion, maintain a clear audit trail, and enhance oversight. A digital platform will also enable the effective recording tracking and resolution of remedial actions improving accountability and ensuring issues are addressed in a timely manner. 1d. Consider the implementation of PowerBi reports for officers to be able to track their tenancy audits. This will improve visibility of pending tasks, support more proactive case management, and ensure audits are completed within the Council's six-week timeframe. High	a. Director 1b. Area Managers 1c. Area Manager -South 1d. All RSOs 1a. March 2026 1b. Implemented 1c. July 2026 1d. Implemented	We were advised that individual meetings have taken place between HR and Area Managers to look at appropriate corrective actions for any officers below target. RSMs have given weekly targets to RSOs to ensure end of year targets are met. All officers notified that if individual weekly targets are not met, working from home will not be possible. Tenancy visits can only be carried out on the estates, and this cannot be done from home.

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
3a. The Resident Services Team should maintain a central tracker for all referrals received, ensuring that an officer is allocated for investigation and it is prioritised. Where additional information is required, the referral should be transferred to the Special Investigations team for their review. 3b. The training recommended in 1a should include the prioritisation of referrals Medium	3a. Area Manager -Central 3b. Area Managers/ Head of Accommodation and Support 3a. ~~July 2025~~ October 2025 3b. March 2026	The Manager advised us that a draft tracker has been produced which is to be agreed and them communications will be sent to all officers therefore has requested a revised date.
5a. Devise a central record of training for RSOs, which should outline details of staff, training delivery date, and an expiry date for refresher training Medium	Area Managers ~~September 2025~~ October 2025	The Manager advised that Training needs analysis has been carried out with officers. The training matrix is being devised from this analysis therefore a revised date has been set.
2024-25 Housing Solutions - Applications and Allocations		
1.1. When the new housing allocations policy has been ratified, comprehensive eligibility criteria, procedural guidance and checklists should be designed and implemented for each new/revised banding classification and priority award to ensure that all decisions are grounded in consistent, evidence-based, standards. 1.2. The applicant documentation requirements for each new/revised banding classification should also be updated. Medium	Rehousing Manager ~~December 2025~~ May 2026	The Manager advised that the timeline for Cabinet agreement of the Housing Allocations Scheme has been revised to Summer 2026 (previously September 2025), resulting in adjusted delivery dates for this recommendation. Audit actions have been embedded within Section 9 of the Housing Improvement Board – Allocating Homes Fairly, supported by a comprehensive project plan. Governance is overseen by the Allocations Board, which tracks progress against the plan, including delivery of this recommendation. A dedicated project officer and business analyst have been appointed to lead implementation. The service is reviewing the IT system to support the changes and process amendments with the aim to include more automation and include more controls. In the interim the team is looking at existing procedures and reviewing them as needed in line with the scheduled review dates. Evidence of this can be seen within the new medical assessment which has been updated.
2.1 Following completion of verification checks (eg on Council Tax and rent payment histories), no key requirements, application form fields should be left blank or as unchecked boxes; N/A or equivalent when provided with a clear rationale is a legitimate use of the designation.	Rehousing manager December 2025	The Manager advised that guidance will be provided to applications officers to use N/A in the council and rent arrears fields if the applicants are waiting list or alternative landlord tenants. A review of verification process maps is underway, looking at the overall position with a potential drill down to consider any further

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
2.2 Named officers who can properly approve a payment plan prior to processing a housing application should be identified in line with the Scheme of Management; compliance should be spot checked by management. The Scheme of Management, last updated in December 2024, should be reviewed and updated when there is a significant restructure or strategic reset (eg the ratification of the new housing allocations policy). Medium	Housing Choice and Supply Manager December 2025 Head of Housing Needs and Support - Daniel Ferlance December 2025	changes to make internal systems more robust. Repayment plans are approved by Resources under section 3.4.2 of the SOM. This has delegated authority as agreed by the service. There is currently a Social welfare panel who agree activation in priority bands where there is evidence of repayment plans in place. The team is currently liaising with Resources (exchequer Services) regarding a revised procedure. The service is planning to complete a restructure in winter 2025/26. The SOM will be amended in line with the change.
3.1 Procedural guidance and a form of words with examples clarifying what constitutes a “deliberate act” should be implemented in line with the new allocations policy referring to applicants who are statutorily overcrowded, provided the overcrowding was not caused by a deliberate act. Medium	Rehousing manager - Housing Choice and Supply Manager / Head of Housing Needs and Support - Rehousing Manager ~~August 2025~~ May 2026	The Manager advised that the timeline for Cabinet agreement of the Housing Allocations Scheme has been revised to Summer 2026 (previously September 2025), resulting in adjusted delivery dates for this recommendation. Audit actions have been embedded within Section 9 of the Housing Improvement Board – Allocating Homes Fairly, supported by a comprehensive project plan. Governance is overseen by the Allocations Board, which tracks progress against the plan, including delivery of this recommendation. A dedicated project officer and business analyst have been appointed to lead implementation. The service is reviewing the IT system to support the changes and process amendments with the aim to include more automation and include more controls. Officers are currently updating guidance in the policy. Applicants that are statutory overcrowded but are considered to have caused or contributed to that statutory overcrowding by way of a deliberate act would by default be assessed in priority band 4. However, it has been agreed the council will use its powers under section 1.1.10 of the scheme to place households in band 3 as opposed to band 1 where it has been identified they are statutory overcrowded due to a deliberate act.
5.1 The Fraud & Verification Referral Process (January 2017) should be reviewed and updated in line with GDPR requirements, including whether applicants that withhold material facts should be prevented from reapplying within an approved set timeframe.	Rehousing Manager ~~September 2025~~ November 2025	The Manager advised us that it was necessary to align calendars in order to meet with the relevant teams to review procedures. They now set a date to finalise this. There is also guidance in the current scheme to address this.

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
Review households that have been subject to reduced priority due mainly to information discrepancies, that appear to have provided false information or withhold material facts and refer these to the Fraud team. Medium		Management have had to realign resources following the departure of the housing applications senior. Therefore, management have revised the date as a result of staffing resources and a spot check audit took place on 17/10/2025.
6.1To support the design and implementation of the new staff training and development programme scheduled to commence in July 2025, we recommend that staff training and development should include, but not be limited to: • Physical scanning of identity documents • Use of credit reference agency checks on all housing related applications to verify identity or residency • Data matching of housing data against other databases (National Fraud Initiative, which matches local housing data with income, benefits, and other public records to spot inconsistencies) • Dedicated anti-fraud data system to detect subletting or fraud using financial and register data. Comprehensive and up-to-date staff training and development records should be maintained. Medium	Rehousing Manager December 2025	The Manager advised us that they have undertaken a training needs and analysis exercise that is under review and will use this to ensure that skills are matched to deliver the new allocations scheme and appropriate training can be provided. This also requires input from other services outside of the housing needs service i.e. housing support service (lettings officers) They are liaising with other departments (i.e. corporate fraud) to see how best they can work in partnership with services to deliver these aims. Management have identified that the use of Thrive and MLS lists training for staff and PPC will be using this data to ensure all officers have up to date and relevant training.
Resources Directorate		
2024-25 STS Financial Management		
Year on year actual expenditure should be analysed as a basis for understanding demands and developing the annual budget. Medium	Chief Digital and Technology Officer ~~August 2025~~ January 2026	The Chief Digital and Technology Officer advised us that this will be considered for TDS annual budget planning for FY2026/27
2a. Reports should be provided to the Council at least three working days in advance of the monthly reconciliation meeting to enable adequate time for review.	STS Financial Controller August 2025	The STS Financial Controller advised us that this is an ongoing monthly meeting.

Recommendation and Priority Level	Manager Responsible & Target Month for Completion	Latest Implementation Status
Medium	*Awaiting evidence of implementation*	We are awaiting evidence that the recommendation has been addressed.

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The matters raised in this report are only those which came to our attention during our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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Agenda Item 7

Meeting Name:	Audit, Governance and Standards committee
Date:	19 November 2025
Report title:	Final Statement of Accounts 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:

   a. Note the adjustments to the council's accounts as set out in paragraph 8.

   b. Review the Statement of Accounts (Appendix A) and raise any questions which will provide the assurance needed to approve the Statement of Accounts.

   c. Approve the draft letters of representation for the Council and Pension Fund (Appendices B and C) as required by KPMG in order to conclude the audit of the 2024-25 statement of accounts.

   d. Subject to C above, approve the Statement of Accounts 2024-25.

   e. Authorise the Strategic Director of Resources, in consultation with the Chair of the Audit, Governance and Standards committee, to make any final amendments to the accounts from outstanding audit work prior to the approval of accounts by the auditor.

BACKGROUND INFORMATION

2. The Accounts and Audit Regulations 2015 require Local Authorities to prepare a Statement of Accounts in accordance with proper accounting practice and are required to be approved and signed by the Council's Audit, Governance & Standards Committee.

3. Separate audits are conducted for the main Council accounts and the Pension Fund accounts and are reported on separately. However, they are presented together in the statement of accounts, which the Audit, Governance and Standards Committee (AGS) is being asked to approve.

4. In accordance with the International Standard on Auditing (ISA) 260, the External Auditor (KPMG) prepares a detailed record of all matters arising from the audit of the Statement of Accounts. This Year End Audit Report is a

separate item on the agenda and will be presented by KPMG.

5. The statutory backstop date for the publication of audited accounts for the financial year 2024–25 is set for 27 February 2026.

6. A large number of councils are facing disclaimed opinions on multiple years of accounts, exacerbating challenges for ongoing audits and closing financial years. Southwark is fortunate not to be in this situation partly due to the strength of its finance staff resources and ongoing dialogue with auditors about timely and reasonable audits.

KEY ISSUES FOR CONSIDERATION

The final statement of accounts 2024-25 and adjustments made

7. The auditor has completed majority of the audit work on the financial statements for 2024-25 and anticipates issuing an unqualified opinion.

8. During the audit the auditors discussed with the Council certain material changes to the accounts that in their view would enhance the accounts as a true and fair view of the council’s finances. Those changes accepted for adjustment in the council’s accounts are:

   a. **Valuations:** The Council has corrected a transposition error resulting in a downward adjustment of £28.9 million to its substantial social housing portfolio. Additionally, a £4.5 million adjustment has been made to the investment portfolio, relating to the valuation of a single property.
   b. **Assets Under Construction (AUC):** Capital projects with a total value of £8.2 million were incorrectly classified as AUC. These have now been reclassified appropriately in the accounts.
   c. **Other Adjustments:** A number of minor amendments have been made to disclosure notes following technical reviews. These are not material and do not affect the overall presentation or understanding of the Council’s financial position.

9. With the exception of minor amendments to disclosure notes arising from technical reviews, no material changes were made to the Pension Fund accounts.

Letters of representation

10. The proposed letters of representation for the main council statements and the pension fund are set out in Appendices B and C respectively. The auditor has asked for a number of representations to be given, and there are no reservations in being able to give those representations.

Policy framework implications

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

Community impact statement

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Financial implications

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

Legal Implications

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

Consultation

19. Consultation on the draft statement of accounts is carried out through formal public inspection. The accounts were open for public inspection from 30 June to 8 August 2025.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

20. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Department of Resources files	Resources Department, Second Floor, Tooley Street	Hasina Shah Hasina.shah@southwark.gov.uk

APPENDICES

No.	Title
Appendix A	Statement of Accounts 2024-25 for Southwark Council and Pension Fund
Appendix B	Letter of Representation for Southwark Council
Appendix C	Letter of Representation for Southwark Council Pension Fund

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources	
Report Author	Hasina Shah, Interim Chief Accountant	
Version	Final	
Dated	10 November 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, Finance	Yes	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		10 November 2025

Southwark Council

STATEMENT OF ACCOUNTS

2024/25

Audited Version

Clive Palfreyman
Strategic Director of Resources

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Disclosure Notes to the Accounts

Narrative Report 2024/25

Southwark Council

Introduction

This narrative report provides information about Southwark Council and presents key information from its statement of accounts for the period 2024/25. It complies with Regulation 8 of the Accounts and Audit Regulations 2015 which require that this narrative includes a comment on the council's financial performance and the economy, efficiency, and effectiveness of the use of its resources in 2024/25.

The CIPFA Code of Practice states that the narrative report should provide information on the authority's main objectives and strategies; the principal risks that it faces; and the use of its resources to achieve outcomes in line with its objectives and strategies.

An Introduction to Southwark

Southwark is a dynamic borough in the centre of London, home to some of the country's foremost artistic institutions, most vibrant communities, and iconic architecture. It extends from the River Thames down to Crystal Palace in South London. The north of the borough is situated along the River Thames and boasts Shakespeare's Globe, Borough Market, The Shard, the Tate Modern and the medieval Southwark Cathedral, and is home to some of the UK's biggest businesses. Further south the borough's diverse urban communities are punctuated by parks and commons and include educational establishments such as Camberwell College of Arts.

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

The borough has a rich mix of employers across construction, health and social care, retail, catering, hospitality, public sector and administration, finance and legal. 18,000 businesses are based here employing 302,000 people, generating £20bn in economic value every year.

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

Organisational Overview

The council delivers a very wide range of services including housing, education, adult and children's social care, waste management, planning, public health, leisure centres, parks, libraries, and community safety. Central HR and finance teams support ambitious service delivery and provide transparent statutory reporting to the government and the wider public.

The council operates under a Leader and Cabinet model with a Council Assembly that elects the Leader and sets the annual budget. Information about Southwark's governance arrangements can be found in the Annual Governance Statement published on the council's website. A total of 5,385 staff were employed as at 31 March 2025 (including permanent and fixed-term staff) to deliver the council's services (5,196 as at 31 March 2024). We are an accredited Living Wage employer, we hold the Mayor of London's Good Work standard, and we participate in a number of schemes designed to promote an inclusive working environment, including Disability Confident and Stonewall's Diversity Champions. Our Southwark Stands Together programme is focused on tackling racial disparities within our workforce and promoting anti-racist practice.

The council's General Fund (non-social rent services) is funded primarily by specific and general government grants, such as the Social Care Support Grant and the Revenue Support Grant respectively, accounting for nearly two thirds of funding. The other major funding sources are council tax, business rates, and fees and charges. The Housing Revenue Account is funded exclusively by social rents and service charges. The council operates a pension fund which provides defined benefits to retired employees.

External Environment

The council delivers both statutory and discretionary services which are often demand led and are influenced by the general state of the economy, the availability of funding, and often mandated by government legislation. Its capital programme to fund long-term projects is especially sensitive to external economic conditions.

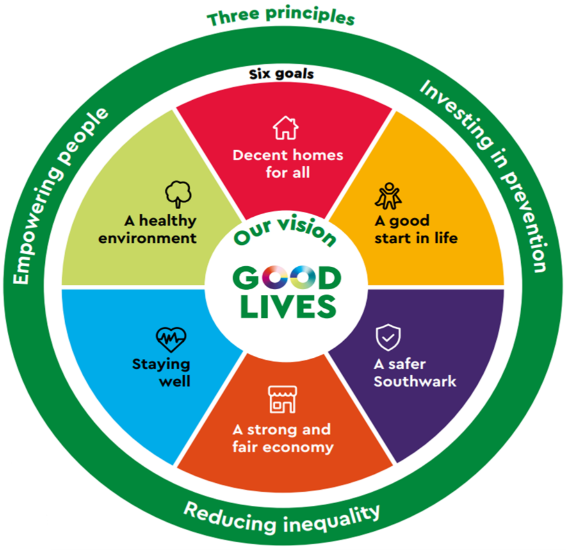
The economic outlook for 2024/25 has improved compared to previous years. The Bank of England base interest rate fell from 5.25% to 4.50% while CPI inflation rose from 2.3% to 2.6% with some fluctuations. These metrics affect the council's costs of borrowing money for capital projects, its return on invested cash balances, and the uplifts in costs for contracted services.

Despite some easing of economic pressures, many Southwark residents continued to experience hardship after significant increases in rents and the cost of necessities in the last few years. Southwark has continued to respond to these challenges by supporting households with emergency payments, but the need for more social and temporary accommodation has never been higher.

Local government funding continued to be uncertain with another single-year settlement for 2024/25. The new government has committed to multi-year settlements, which will provide local authorities with more certainty so they can plan sustainable budgets for the years ahead. However, many English councils are in financial difficulty and Southwark is similarly affected by pressures on social housing maintenance, temporary accommodation, and the cost of capital projects.

Priorities and Resource Allocation

In November 2024 Southwark announced its new shared Good Lives vision for the borough until 2030 for building a fair, green, and safe place where everyone can live a good life as part of a strong community. Guided by three principles, to empower people, invest in prevention, and reduce inequality, the council will build its services for the next five years around six goals as part of the Southwark 2030 strategy. The Annual Governance Statement includes details of how the Council Delivery Plan will achieve 2030 goals.



How council priorities are funded is managed through the medium-term financial strategy (MTFS) and annual budgets. The council must set a balanced budget each year by law but it can find ways to save money through efficiencies and new service delivery methods and can utilise its reserves (savings) which have been built up over time through prudent financial management.

At the beginning of each financial year the council plans ahead over a three-year period through the MTFS. As a starting point, estimated changes in income streams are assessed together with expected pay awards, inflationary costs, debt charges and demand pressures, recognising that the external economic environment will impact on the council's financial plans. The gap between the overall resources and expected expenditure for services is then assessed and both capital and revenue budgets are integrated to create a coherent plan of action, closely aligned to Southwark 2030 priorities and plans.

Governance and Risks

The council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The council's governance arrangements are reviewed annually and within the Annual Governance Statement (AGS) assurance is given on the effectiveness of the council's system of internal control. Despite national challenges around local government external audit all Southwark's statement of accounts before 2024-25 have been audited, helping to strengthen the assurance that the council is operating within legal and appropriate bounds.

The AGS also lists the principal risks and issues of the council. These cover the pressures around the delivery of the council's housing delivery programme, its major finance system replacement project, challenges in temporary accommodation, cyber security risks and more. These are managed in the council's risk register and are accompanied by mitigations, setting out the controls in place to manage each risk. This has proved effective in managing the unexpected risks over the last few years and enabled the council to boost its financial resilience.

Performance and Achievements

As the council enacts the Southwark 2030 Strategy progress will be measured against detailed performance schedules. Milestones are monitored on a quarterly basis through the year by the Corporate Management Team (CMT) and Cabinet Members. An annual performance report is published each year and for 2024/25 the outcomes will be presented to cabinet in the autumn.

Examples of the outcomes achieved in 2024/25 against the Southwark 2030 six goals are listed below.

Commitments	Outcomes
Decent homes for all	• Completed 581 council homes • Committed to investing £250m to improve our council homes. • Introduced repair action days which have delivered 800 repairs for our tenants. • Increased the proportion of private rented households that are covered by property licensing schemes to 48% (target 42%), requiring private landlords to meet higher standards. • Supported more than 150 people rough sleeping into long term homes.
A good start in life	• Over 67,000 meals provided to children aged 4-16 through the Holiday Food and Fun programme. • Over 20,000 (target 6,800) visits to in-house youth centres and adventure play sites and more than 56,000 (target 33,825) visits to externally provided youth activities. • 2,550 visits to the newly built sport pavilion in Burgess Park with free sport sessions provided through the Olympic-themed Move Games. • Major improvements have continued to progress in our town centres, including Walworth, Peckham, Canada Water, and Old Kent Road. • 320 free swimming lessons during the summer with 520 young people taking
A safer Southwark	• 570 cameras across town centres and public spaces are monitored 24/7 by our expert team to help keep people safe and support the police when needed. • Converted over 15,000 (target 7,639) streetlights into LED lights, providing clearer, safer and greener lighting across the borough. • Engaged 398 (target 400) young people with our Community Harm and Exploitation Hub, with 100% (target 65%) of young people who engaged with the Hub for six months not being convicted of an offence. • 25% (target 19%) of private rented homes. have been made compliant under Southwark's new five-year licensing scheme
A strong and fair economy	• Created over 500 green jobs in 24/25, surpassing our target of creating over 2,000 green jobs in total. • 2,552 individuals supported through our employment support programmes, surpassing the target of 2,500. • We created 1,785 (total target of 2,000 by 2026) apprenticeships for Southwark residents or employers. • 105 (total target of 496 by 2026) Southwark businesses became an accredited Living Wage Employer, resulting in 1,800 Southwark workers receiving a pay rise. • We have supported 21 (target 18) Thriving High Streets Fund projects

Staying well	• Health Outreach Programme now includes 197 Health Ambassadors, and in 24/25 has supported 385 people with a Covid-19 vaccination, over 3,000 people with a Vital 5 health check, and 365 people with a flu vaccination. • Provided nearly 900 Rose Vouches to families on low incomes to help buy fresh fruit and vegetables. • Engaged over 1,800 adults with our drug and alcohol treatment and recovery services. • Developed and published our Maternity Commission through engagement with over 750 residents and healthcare professionals working in the borough. • Provided 14 care homes with air purifiers to improve air quality.
A healthy environment	• Provided cycle training to over 6,000 (target of 5,000) residents, including 3,057 (target of 2,500) children. • Planted 5,086 trees across the borough, including 1,250 mature trees and 3,836 young trees for hedges and copses in 2024, making it the first inner London borough to have over 100,000 trees. • Upgraded more than 750 boilers and provided low carbon heating systems for more than 1,300 homes. • 1,509 loans were made from the Library of Things over the course of 2024/25 and there were also 1,572 visits to the Barclays Banking hub.

Challenges

In 2024-25, the Council received a C3 rating from Regulators of Social Housing, which highlighted areas needing urgent improvement—such as fixing more homes to meet the Decent Homes Standard, improving safety checks like electrical testing, and strengthening how we manage housing services and tenant organisations.

The Council has since taken major steps to improve, including investing in new and existing homes, upgrading heating systems, carrying out thousands of repairs, and putting in place stronger checks and resident involvement to ensure better housing services for everyone.

Revenue Outturn

The council's finances are split into a number of ringfenced funds to manage different income and expenditure streams. The General Fund (GF) is the main revenue account relating to the provision of services. The Housing Revenue Account (HRA) is the landlord fund through which the council manages its housing stock. The Collection Fund (CF) collects council tax and business rates and makes a fixed contribution to the GF each year according to the budget requirement.

General Fund (GF)

For 2024/25, a GF net budget of £359.4m was approved by Council Assembly in February 2024. Council Assembly also agreed to a 4.99% increase in council tax (including 2.00% adult social care levy) and a contribution of £2.4m from reserves to support a balanced budget. The revenue outturn position is summarised below:

General Fund	**Budget £000**	**Actuals £000**	**Variance £000**	**Reserve Mvmnt £000**	**Variance after use of reserves £000**
Children and Adults	172,060	177,567	5,507	(5,428)	**79**
Integrated Health and Care	4,364	3,696	(668)	656	**(12)**
Environment, Sustainability and Leisure	116,184	110,308	(5,876)	5,704	**(172)**
Housing	28,906	42,020	13,114	(3,572)	**9,542**
Resources	50,841	49,725	(1,116)	(4,463)	**(5,579)**
Governance and Assurance	26,294	27,783	1,489	(1,377)	**112**
Strategy and Communities	8,233	10,797	2,564	(2,564)	**-**
Support Cost Reallocations	(49,053)	(49,053)	-	-	**-**
Contribution from Reserves	(2,430)	-	2,430	(2,400)	**30**
General Fund Services	**355,399**	**372,843**	**17,444**	**(13,444)**	**4,000**
General Contingency	4,000	-	(4,000)	-	**(4,000)**
Net revenue budget	**359,399**	**372,843**	**13,444**	**(13,444)**	**-**

Overall the financial performance of the general fund has been more challenging in 2024/25, after resilient performances in adverse conditions in previous years. The council overspent by £5.3m after planned use of reserves and contingency, requiring a matching unplanned reserve draw down to balance income and expenditure.

The council's primary area of overspend was temporary accommodation, a challenge faced by many local authorities due to national cost and demand pressures which are particularly severe in London. Another significant area of pressure was the increase in costs for nursing and homecare within the older people and physical disabilities service.

Housing Revenue Account (HRA)

The HRA revenue outturn for 2024/25 showed gross income of £356.6m, primarily from tenant rents and service charges, homeowner charges, commercial property, and garages. Gross expenditure was £352.8m, made up of tenant facing services £162.4m, corporate support services £69.3m, and capital financing £121.1m. The favourable balance of £3.9m was transferred to reserves. While there were pressures on Landlord Services, Repairs and Maintenance, and Customer Services, income from tenant and non-residential charges exceeded budget, which allowed the HRA to make a bigger contribution to capital projects and reduce its need to borrow money.

Collection Fund

The CF records the transactions of the council as a billing authority in relation to council tax and business rates. Both taxation schemes are designed to be self-balancing. An estimate of any accumulated surplus or deficit is made each January and factored into the following year's tax requirement. Any difference between this estimated outturn and the actual end of year outturn (March) will be received or borne by taxpayers in the year following but one.

Income raised from Council Tax is the single largest source of general funding for the council's net revenue budget. In 2024/25 the Council collected £201m in Council Tax, of which £53m was collected on behalf of the Greater London Authority (GLA). The Council Tax for a Band D property (including the GLA precept) was £1,792.98 in 2024/25. The council's collection rate for 2024-25 was 93.6% for council tax and 95.86% for business rates.

Capital

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

The GF programme delivers tangible benefits to the borough's residents over the long term and allows the council to fulfil its priorities and mandates. Commitments include creating and improving care homes, including for children; repurposing schools for the future; redeveloping some of the borough's most distinct landmarks such as Walworth Town Hall; addressing the council's Climate Action Plan in order to meet our ambitious net zero target and create a greener borough for all; flagship regeneration schemes which provide communities with new facilities such as libraries, health centres, and leisure centres; and the important schools refurbishment programme and SEND capital strategy, ensuring that children get the education they deserve. The programme plans to spend £485m during the period 2024/25 to 2033/34 of which £344m will be funded by borrowing.

General Fund and HRA capital spending and financing in 2024/25 is shown in the following table. Forecasts over the whole life of the programme are presented to Cabinet.

	2024/25 £000	2023/24 £000
Service capital expenditure:		
Children's and adults' services (incl schools)	23,566	29,470
Environment, Neighbourhoods and Growth	62,993	54,144
Resources	9,614	6,619
Governance and Assurance	4,211	6,635
Housing	1,901	2,108
Total GF spending	**102,285**	**98,976**
Housing Investment Programme:		
Asset Management	65,598	108,744
New build and acquisitions	134,883	216,826
Other programmes	2,494	5,639
Total HIP spending	**202,975**	**331,209**
Total spending	**305,260**	**430,185**
Financed by:		
Capital receipts	(51,729)	(25,650)
Government grants and other contributions	(55,245)	(94,572)
Direct revenue contributions	(46,300)	(5,834)
Major repairs reserve (HIP)	(46,444)	(46,857)
Prudential borrowing and credit arrangements	(105,542)	(257,272)
Total financing	**(305,260)**	**(430,185)**

The Housing Investment Programme (HIP) comprises two strands. The New Build programme covers the council's commitment to delivering new council homes and the Asset Management programme provides for the proper maintenance of existing homes (in particular around safety standards). The scale of the HIP programme is significant, with £1.3bn planned for 2024/25 to 2032/33. This comprises £549m for new homes, £727m for asset management and £6m for other initiatives.

Recent changes in the legislative, regulatory and policy environment have added significant costs to an already ambitious Asset Management programme without any additional funding from government. The HIP has an annual budget of £60m- £70m to undertake capital works to its stock and spend in 2024/25 was contained within this envelope. However, meeting building safety requirements will require spend above this level over the coming years, and the aim is to meet the funding gap through the generation of additional capital receipts to minimise the need for borrowing.

Reserves

The council maintains reserves (savings) to help smooth the impact of government funding changes, to manage risks, and to fund council priorities and service transformation.

The GF reserve is set aside to mitigate and manage financial shocks and is a key financial resilience indicator. This remains at £22.4m which is approximately 2% of gross general fund revenue expenditure. Earmarked reserves were utilised this year for a range of projects to the tune of £13.9m, bringing the balance to £231m.

In accordance with regulations, the deficit on the Dedicated Schools Grant reserve is being paid down through Safety Valve contributions. The unusable reserve (deficit) remains at £21.7m while the usable reserve (the contributions) balance is 15.9m after in-year contributions of £2.9m, leaving a net accumulated deficit of £5.8m.

The HRA balance stands at £20.8m (£16.9m at 31 March 2024). Due to service transformation activities the HRA was able to contribute £3.9m to reserves during 2024/25.

Borrowing and Lending

The council borrows money to support its ambitious capital programme, refinance maturing loans and to maintain target cash balances. As at 31 March 2025, actual total borrowings held by the council was £1,159m (£1,085m at 31 March 2024), all of which was long-term Public Works Loan Board (PWLB) and Mayor of London's Energy Efficiency Fund (MEEF) loans (£1,020m at 31 March 2024). There were no short-term loans from other local authorities (£65m at 31 March 2024).

IFRS 16 was fully implemented in 2024/25 resulting in operating leases being treated as right-of-use assets that are capitalised. While this does not have an immediate revenue impact for the council, it does increase the CFR and other long-term liabilities figures on the balance sheet. This is reflected in the opening CFR balance.

In accordance with IFRS 9 financial reporting requirements, long-term loans at amortised cost amounted to £1,169m at 31 March 2025 (£967m at 31 March 2024). This reflects accounting adjustments for accrued interest of £9m (£11m in 2023/24) and loans due for repayment within one year after the reporting period of £43m (£63m in 2023/24), which are included in short-term loans of £52m (£129m in 2023/24) in note 39 to the accounts.

The timing of long-term borrowing needs to be weighed against the risk that interest rates will increase in the future with a view to keeping future interest rate costs low. During 2024/25, in accordance with the approved treasury management strategy, the council increased its overall borrowings by £74m (Long-term loans of £193m raised with £54m repaid, and short-term loans of £95m raised from other local authorities with £160m repaid). The weighted average rate of long-term borrowings was 3.84%.

The council invests its surplus cash in short term money market funds and the Debt Management Account Deposit Fund that offer daily liquidity. As at 31 March 2025, investments stood at £56m (£67m at 31 March 2024). The overall weighted rate of return on investments during 2024-25 was 4.80% (4.43% in 2023-24).

Pension Fund

The Pension Fund is underpinned by an investment strategy which was updated in December 2022. A revaluation is required every three years to set future contribution rates. The last valuation, as at 31 March 2022, showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2022 covering 109% of the liabilities. Contribution rates certified in the 2022 valuation are applicable for three years from 1 April 2023. The 2025 valuation is currently underway and the outcome will determine contribution rates from 1 April 2026.

A review of the Fund's investment strategy will be carried out in late 2025. This will ensure that the strategy is both resilient to market volatility but also reflects the Government's expectation that the Fund's assets are pooled, with the Pension Fund assets of the other London Boroughs, in the London Collective Investment Vehicle (LCIV).

During 2024/25 there was notable market volatility, driven by geopolitical issues following the US general election and ongoing pessimism over the outlook for global GDP. While the Fund's investments generated a positive return during the year, this was significantly below the previous year's return. However, the Fund is a long-term investor and performance over the medium and longer term remains strong and well ahead of long-term target returns.

The council has committed to reduce carbon exposure in the Fund's investments and become net zero carbon by 2030, whilst still maintaining investment performance. Further progress was made during 2024/25 to achieve this.

Explanation of Accounting Statements

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

Core financial statements

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

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

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

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

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

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

Supplementary financial statements

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

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

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

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council that officer is the Strategic Director of Resources;

- manage its affairs to secure economic, efficient and effective use of resources, and safeguard its assets; and

- approve the Statement of Accounts.

The Strategic Director of Resources' responsibilities

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

In preparing these Statements of Accounts, the Strategic Director of Resources has:
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code

The Strategic Director of Resources has also:
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts presents a true and fair view of the financial position of Southwark Council as at 31 March 2025 and its income and expenditure for the financial year ended 31 March 2025.

Signature:

Clive Palfreyman
Strategic Director of Resources

Date: November 2025

Signature:

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

Date: November 2025

INDEPENDENT AUDITOR'S REPORT

2024/25

To be added on completion of the audit

INDEPENDENT AUDITOR'S REPORT

To be added following completion of the Audit.

INDEPENDENT AUDITOR'S REPORT

To be added following completion of the Audit.

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INDEPENDENT AUDITOR'S REPORT

Southwark Council

To be added following completion of the Audit.

INDEPENDENT AUDITOR'S REPORT

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To be added following completion of the Audit.

INDEPENDENT AUDITOR'S REPORT

Southwark Council

To be added following completion of the Audit.

CORE FINANCIAL STATEMENTTS

2024/25

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	Notes			2024/25			2023/24
		Gross Expend £000	Gross Income £000	Net Expend £000	Gross Expend £000	Gross Income £000	Net Expend £000
Children and Adults		594,118	(427,238)	166,880	560,568	(411,597)	148,971
Environment, Sustainability and Liesure		169,217	(85,774)	83,443	148,604	(74,734)	73,870
Resources*		294,588	(188,760)	105,828	342,130	(194,680)	147,450
Governance and Assurance		28,644	(2,528)	26,116	26,427	(1,753)	24,674
Strategy and Communities		10,728	(215)	10,513	9,033	(435)	8,598
Housing GF		82,041	(42,018)	40,023	59,302	(37,706)	21,596
Integrated Health and Care		13,324	(10,003)	3,321	-	-	-
Housing Revenue Account (HRA)		456,091	(349,310)	106,781	430,612	(307,392)	123,220
Net cost of services		**1,648,751**	**(1,105,846)**	**542,905**	**1,576,676**	**(1,028,297)**	**548,379**
Other Operating Income and Expenditure	8			(25,904)			(1,258)
Financing and Investment Income and Expenditure	9			52,329			82,414
Taxation and Non-Specific Grant Income and Expenditure	10			(486,303)			(457,246)
(Surplus)/Deficit on Provision of Services				**83,027**			**172,289**
(Surplus)/deficit on revaluation of non current assets	23			(117,793)			(73,243)
(Surplus) / deficit on financial assets measured at fair value through other comprehensive income	39			(236)			473
Remeasurement of the net defined benefit liability	23			8,649			7,176
Other Comprehensive Income and Expenditure				**(109,380)**			**(65,594)**
Total Comprehensive Income and Expenditure				**(26,353)**			**106,695**

The accompanying notes form an integral part of financial statement.

* 'Finance' department from 2023/24 has been renamed to 'Resources' in 2024/25.

MOVEMENT IN RESERVES STATEMENT

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

MOVEMENT IN RESERVES 2024/25

	General Fund Balances											
	General Fund Balance	Earmarked General Fund Reserves	Schools Balances Reserves	Dedicated Schools Grant Reserves	Total General Fund (GF) Balance	Housing Revenue Account (HRA) Balance	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 23)	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2023	**(22,443)**	**(212,490)**	**(13,668)**	**(7,184)**	**(255,785)**	**(19,458)**	**-**	**(100,726)**	**-**	**(375,969)**	**(4,337,026)**	**(4,712,995)**
Movement in reserves during 2023/24												
(Surplus)/deficit on the provision of services	112,524	-	-	-	**112,524**	59,765	-	-	-	**172,289**	-	**172,289**
Other Comprehensive Income and Expenditure	-	-	-	-	**-**	-	-	-	-	**-**	(65,594)	**(65,594)**
Total Comprehensive Income and Expenditure	**112,524**	**-**	**-**	**-**	**112,524**	**59,765**	**-**	**-**	**-**	**172,289**	**(65,594)**	**106,695**
Adjustments between accounting basis & funding basis under regulations (Note 11)	(151,970)	-	-	-	**(151,970)**	(57,228)	-	(1,780)	(19,706)	**(230,684)**	230,684	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(39,446)**	**-**	**-**	**-**	**(39,446)**	**2,537**	**-**	**(1,780)**	**(19,706)**	**(58,395)**	**165,090**	**106,695**
Transfers (to)/from earmarked reserves	39,446	(32,302)	(1,391)	(5,753)	**-**	-	-	-	-	**-**	-	**-**
(Increase)/Decrease in Year	**-**	**(32,302)**	**(1,391)**	**(5,753)**	**(39,446)**	**2,537**	**-**	**(1,780)**	**(19,706)**	**(58,395)**	**165,090**	**106,695**
Balance as at 31 March 2024	**(22,443)**	**(244,792)**	**(15,059)**	**(12,937)**	**(295,231)**	**(16,921)**	**-**	**(102,506)**	**(19,706)**	**(434,364)**	**(4,171,936)**	**(4,606,300)**
Balance as at 1 April 2024	**(22,443)**	**(244,792)**	**(15,059)**	**(12,937)**	**(295,231)**	**(16,921)**	**-**	**(102,506)**	**(19,706)**	**(434,364)**	**(4,171,936)**	**(4,606,300)**
Movement in reserves during 2024/25												
(Surplus)/deficit on the provision of services	702	-	-	-	**702**	82,325	-	-	-	**83,027**	-	**83,027**
Other Comprehensive Income and Expenditure	-	-	-	-	**-**	-	-	-	-	**-**	(109,380)	**(109,380)**
Total Comprehensive Income and Expenditure	**702**	**-**	**-**	**-**	**702**	**82,325**	**-**	**-**	**-**	**83,027**	**(109,380)**	**(26,353)**
Adjustments between accounting basis & funding basis under regulations (Note 11)	10,332	-	-	-	**10,332**	(86,262)	-	94	(76,265)	**(152,101)**	152,101	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**11,034**	**-**	**-**	**-**	**11,034**	**(3,937)**	**-**	**94**	**(76,265)**	**(69,074)**	**42,721**	**(26,353)**
Transfers (to)/from earmarked reserves	(11,034)	13,928	6	(2,928)	**(28)**	28	-	-	-	**-**	-	**-**
(Increase)/Decrease in Year	**-**	**13,928**	**6**	**(2,928)**	**11,006**	**(3,909)**	**-**	**94**	**(76,265)**	**(69,074)**	**42,721**	**(26,353)**
Balance as at 31 March 2025	**(22,443)**	**(230,864)**	**(15,053)**	**(15,865)**	**(284,225)**	**(20,830)**	**-**	**(102,412)**	**(95,971)**	**(503,438)**	**(4,129,215)**	**(4,632,653)**

The accompanying notes form an integral part of financial statement.

BALANCE SHEET

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

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

	Notes	31 March 2025	31 March 2024
		£000	£000
Property, plant and equipment	13	5,691,479	5,621,077
Heritage assets		1,223	1,223
Investment property	14	307,511	290,176
Long-term investments	39	200	11,304
Long-term debtors	17	33,172	30,887
Pension assets	38	48	62
Long Term Assets		**6,033,633**	**5,954,729**
Short-term investments	39	-	17,201
Inventories	15b	3,730	12,004
Short-term debtors	17	166,396	171,207
Assets held for sale	15a	7,798	18,972
Cash and cash equivalents	16	55,339	38,497
Current Assets		**233,263**	**257,881**
Short-term borrowing	39	(52,289)	(129,544)
Short-term creditors	18	(239,238)	(244,959)
Short-term provisions	19	(7,803)	(5,924)
Grants receipts in advance	21	(135,495)	(174,007)
Bank overdraft	16	(4,482)	(3,967)
Current Liabilities		**(439,307)**	**(558,401)**
Long-term creditors	18	(416)	(6,175)
Long-term provisions	19	(11,892)	(8,964)
Long-term borrowing	39	(1,116,497)	(966,894)
Other long-term liabilities	36	(66,131)	(65,876)
Long Term Liabilities		**(1,194,936)**	**(1,047,909)**
Net Assets		**4,632,653**	**4,606,300**
Usable reserves	12	(503,438)	(434,364)
Unusable reserves	23	(4,129,215)	(4,171,936)
Total Reserves		**(4,632,653)**	**(4,606,300)**

The accompanying notes form an integral part of financial statement.

CASH FLOW STATEMENT

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

	Notes	2024/25 £000	2023/24 £000
Net surplus or (deficit) on the provision of services		(83,027)	(172,289)
Adjustment to surplus or (deficit) on the provision of services for non cash movements	24	388,038	379,073
Adjust for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	24	(183,144)	(141,708)
Net cash flows from operating activities		**121,867**	**65,076**
Net cash flows from investing activities	25	(152,729)	(226,216)
Net cash flows from financing activities	26	47,189	91,007
Net increase or (decrease) in cash and cash equivalents		**16,327**	**(70,133)**
Cash and cash equivalents at the beginning of the reporting period	16	34,530	104,663
Cash and cash equivalents at the end of the reporting period		**50,857**	**34,530**

The accompanying notes form an integral part of financial statement.

DISCLOSURE NOTES TO THE ACCOUNTS

2024/25

Note 1. EXPENDITURE AND FUNDING ANALYSIS

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

Expenditure and Funding Analysis	**2024/25**					**2023/24**				
	As reported for resource management (Narrative report)	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances	Net expenditure chargeable to the General Fund and HRA balances	Adjustments between funding and accounting basis (Note 7)	Net expenditure in the Comprehensive Income and Expenditure Statement	As reported for resource management (Narrative report)	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances	Net expenditure chargeable to the General Fund and HRA balances	Adjustments between funding and accounting basis (Note 7)	Net expenditure in the Comprehensive Income and Expenditure Statement
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Children and Adults (including dedicated schools grant)	172,139	(13,597)	**158,542**	8,338	**166,880**	175,239	(28,453)	**146,786**	2,185	**148,971**
Environment, Sustainability and Leisure	116,012	(23,819)	**92,193**	(8,750)	**83,443**	106,699	(23,936)	**82,763**	(8,893)	**73,870**
Resources*	42,862	(2,991)	**39,871**	65,957	**105,828**	14,183	(29,587)	**(15,404)**	162,854	**147,450**
Governance and Assurance	26,406	363	**26,769**	(653)	**26,116**	25,394	(411)	**24,983**	(309)	**24,674**
Strategy and Communities	8,233	2,389	**10,622**	(109)	**10,513**	8,336	349	**8,685**	(87)	**8,598**
Housing GF	38,448	1,271	**39,719**	304	**40,023**	29,351	(9,708)	**19,643**	1,953	**21,596**
Integrated Health and Care	4,352	(971)	**3,381**	(60)	**3,321**	-	-	**-**	-	**-**
Housing Revenue Account (HRA)	-	(3,938)	**(3,938)**	110,719	**106,781**	-	2,537	**2,537**	120,683	**123,220**
Support cost reallocations	(49,053)	49,053	**-**	-	**-**	(43,370)	43,370	**-**	-	**-**
Net cost of services	**359,399**	**7,760**	**367,159**	**175,746**	**542,905**	**315,832**	**(45,839)**	**269,993**	**278,386**	**548,379**
Other income and expenditure	(359,399)	(663)	**(360,062)**	(99,816)	**(459,878)**	(315,832)	8,930	**(306,902)**	(69,188)	**(376,090)**
(Surplus)/Deficit	**-**	**7,097**	**7,097**	**75,930**	**83,027**	**-**	**(36,909)**	**(36,909)**	**209,198**	**172,289**
Opening General Fund and HRA Balance at 1 April			**(312,152)**					**(275,243)**		
(Surplus)/Deficit on General Fund and HRA Balance in year			**7,097**					**(36,909)**		
Closing General Fund HRA Balance at 31 March			**(305,055)**					**(312,152)**		

* 'Finance' department from 2023/24 has been renamed to 'Resources' in 2024/25.

2. ACCOUNTING POLICIES

Concepts and Principles

2.1 Basis of preparation

The Statement of Accounts summarises the council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices.These practices, under section 21 of the 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2.2 Accruals of income and expenditure

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

2.2.1 Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the council.

2.2.2 Revenue from contracts with service recipients is recognised when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.

2.2.3 Other revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction, and it is probable that economic benefits or service potential associated with the transaction will flow to the council.

2.2.4 Revenue from housing rents is recognised in the year the billing amount falls due.

2.2.5 Revenue relating to council tax and business rates is measured at the full amount receivable (net of any impairment losses) as it is a non-contractual, non-exchange transaction with no difference between the delivery and payment dates. It is recognised in the financial statements when it is probable that the economic benefits associated with the transaction will flow to the council, and the amount of the revenue can be measured reliably.

2.2.6 Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories in the Balance Sheet.

2.2.7 Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

2.2.8 Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

2.2.9 Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

2.2.10 Most accruals are automatically generated by the system concerned, but a de minimis is applied in respect of accruals raised manually unless material to grant funding streams or to individual budgets. The de minimis for 2024/25 remains at £20,000 for revenue and £50,000 for capital.

2.3 Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Demand deposits will include bank accounts where additional funds may be deposited and withdrawn at any time without prior notice e.g. a bank current account.

Cash equivalents are short term-investments, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. These will be balances held in Call Accounts and Money Market Funds with associated accrued interest.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

2.4 Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

2.5 Charges to revenue for non-current assets

Services, support services and trading accounts are charged an accounting estimate of the cost of holding non-current assets during the year. This comprises:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by the contribution in the General Fund balance, by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

2.6 Council tax and non-domestic rates

As a billing authority the council act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the GLA and central government and, as principals, collecting council tax and NDR for itself. The council is required by statute to maintain a separate fund (the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, the council, GLA and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

- **Accounting for council tax and NDR**

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

2.7 Government grants and contributions

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

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

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as grants received in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

2.8 Business improvement districts

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

2.9 Community infrastructure levy

The council has elected to charge a community infrastructure levy (CIL). The levy is charged on new builds (chargeable developments for the council) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

The CIL is recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement as a contribution without outstanding conditions. CIL charges will be largely used to fund capital expenditure. However, a proportion (5%) of the charges is used to fund revenue expenditure, allowed under CIL regulation 61.

2.10 Inventories

Inventories (Stock) are measured at the lower of cost and net realisable value and the cost of inventories is assigned using the first in first out (FIFO) method. Property constructed for sale in the ordinary course of business is accounted for as inventory property. The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. When inventory property is sold, its carrying amount is recognised as an expense in the period in which the related revenue is recognised.

2.11 Overheads and support services

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

• The resources and governance, housing general fund and HRA services contain costs relating to the council's status as a multi-functional, democratic organisation

• The resources and governance directorate contains the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

2.12 Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. This specific reserve, also referred as Earmarked reserve, are part of the council's General Fund balances. Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits, and do not represent usable resources for the council – these reserves are explained in the relevant policies above.

2.13 Value added tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

2.14 Fair value measurement of non-financial assets

The council's accounting policy for fair value measurement of financial assets is set out in note 43. The council also measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date, as mentioned below (under 2.15).

2.15 Table for Class of assets and Valuation basis

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

2.16 Table for Adjustments between accounting basis and funding basis

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

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

The material adjustments are:

Category	**Accounting basis in CIES**	**Funding basis in MiRS**	**Adjustment account**
Property, plant and equipment	Depreciation and revaluation/ impairment losses	Revenue provision to cover historical cost determined in accordance with 2003 regulations	Capital adjustment account
Intangible assets	Amortisation and impairment		
Investment properties	Movement in fair value		
Revenue expenditure funded from capital under statute	Expenditure incurred in year		
Capital grants and contributions	Grants that became unconditional in year or were received in year without conditions	No credit	Capital grants unapplied reserve (unapplied at 31 March) Capital adjustment account (other amounts)
Non-current asset disposals	Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal)	No charge or credit	Capital adjustment account (carrying amount) Capital receipts reserve (sale proceed and cost of disposal) Deferred capital receipts reserve (sale proceeds not yet received)
Financial instruments	Premiums payable and discounts receivable on early repayment of borrowing in 2024/25 Losses on soft loans and interest receivable on an amortised cost basis Movements in the fair value of money market fund investments	Deferred debits/credits of premiums/discounts from earlier years Interest due to be received on soft loans in year Historical cost gains/losses for money market fund investments disposed of in year	Financial instruments adjustment account

Category	Accounting basis in CIES	Funding basis in MiRS	Adjustment account
Pension costs	Movements in pensions assets and liabilities	Employers pension contributions payable and direct payments made by the council to pensioners	Pensions reserve
Council tax	Accrued income from 2024/25 bills	Demand on the Collection Fund for 2024/25 plus share of estimated surplus/deficit for 2023/24	Collection Fund adjustment account
Business rates	Accrued income from 2024/25 bills	Budgeted income receivable from the Collection Fund for 2024/25 plus share of estimated surplus/deficit 2023/24	Collection Fund adjustment account
Holiday pay	Projected cost of untaken leave entitlements at 31 March 2025	No charge	Accumulated absence adjustment account
Dedicated schools grant (DSG)	Expenditure incurred in 2024/25 to be met from dedicated schools grant	Expenditure incurred up to the amount of the grant receivable for 2024/25	Dedicated schools grant adjustment account

Non-current assets

2.17 Property, plant and equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as property, plant and equipment.

- **Recognition**

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

- **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Certain categories of property, plant and equipment are measured subsequently at current value – see 2.15 for details. Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

- **Impairment**

Assets are assessed at each year-end as to whether there is any indication that items have been impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for in the same way as revaluation losses.

- **Depreciation**

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and community assets) and assets that are not yet available for use (i.e. assets under construction).

Useful lives are assessed on the following bases:

- Council dwellings – weighted average life based on major components – typically 50-60 years
- Other operational buildings – as valuation – 10-60 years
- Surplus assets – as valuation – 9-40 years
- Vehicles, furniture and IT hardware – 5-8 years
- Plant, fittings and play equipment – 7-15 years
- Infrastructure assets – 5-50 years
- Intangible assets – 3-5 years

Where an item of property has major components whose cost or value is 20% or more of the total cost or value of the non-land element of the property and whose useful economic life differs by 10 years or more from the life of the main asset, the components are depreciated separately. In principle the policy for componentisation applies to all items of Property, Plant and Equipment (PPE), however typically PPE items other than property assets are not of a nature that would require the policy to be applied, such that only property assets are considered for componentisation.

Depreciation is not provided for on newly acquired assets or construction or enhancement expenditure in the year of acquisition, construction or enhancement. A full year's depreciation is provided for in the year in which an asset is derecognised.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

- **Sites under development**

Where the council is holding land for the purpose of constructing dwellings the land is held in surplus assets until the construction work commences. Once construction work commences and is anticipated to last longer than 12 months, the asset is transferred to assets under construction. Once substantially complete the valuer is asked to value the site as a completed development, including land value and the construction costs incurred to date, and the asset is transferred to operational assets.

- **Disposals and assets held for sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the surplus or deficit on provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to right to buy disposals (net of statutory deductions and allowances) is payable to the government based on an agreed schedule. The balance of receipts is required to be credited to the capital receipts reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the general fund balance in the Movement in Reserves Statement.

2.18 Investment property

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

2.19 Leases

2.19.1 The council as lessee

The council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

- **Initial measurement**

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the council's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the council is reasonably certain to exercise
- lease payments in an optional renewal period if the council is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the council is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

- **Subsequent measurement**

The right-of-use asset is subsequently measured using the fair value model. The council considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the council changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

- **Low value and short lease exemption**

As permitted by the Code, the council excludes leases:

- for low-value items that cost less than £5,000 when new, provided they are not highly dependent on or integrated with other items, and

- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the council is reasonably certain to exercise and any termination options that the council is reasonably certain not to exercise).

- **Judgements**

From 1 April 2024 the Council applies IFRS16 to lease contracts where the Council is the lessee. The Council has entered into numerous lease contracts with private-sector landlords for the provision of temporary accommodation. Due to the nature of the temporary accommodation market and the private-sector landlord arrangements, the determination of the lease term is inherently uncertain. The Council has assumed an average remaining lease period of 2 years on all temporary accommodation leases.

- **Lease expenditure**

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straightline depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

2.19.2 The council as lessor

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

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

- **Finance leases**

Where the council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt:

- Where a premium has been received, this is posted out of the General Fund balance to the capital receipts reserve in the Movement in Reserves Statement.
- Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the deferred capital receipts reserve in the Movement in Reserves Statement.
- When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

- **Operating leases**

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

2.20 Private finance initiative (PFI) and similar contracts

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

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

2.21 Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

2.22 Highways Network Infrastructure Assets

- **Highways Network Infrastructure Assets**

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

- **Recognition**

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

- **Measurement**

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

- **Depreciation**

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

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

- **Disposals and Derecognitions**

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

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

2.23 Accounting for schools non-current assets

The council has undertaken a school by school assessment across the different types of school it controls. Judgements have been made to determine the arrangements in place and the accounting treatment of the non-current assets. The council has concluded that the assets of most foundation and voluntary aided schools in the borough should not be brought onto the balance sheet as these assets are not controlled by the council but rather by whichever trust or religious body that is associated with each individual school.

	Number of schools	Value of land and buildings recognised £000
Community schools, nursery schools and special schools	40	587,620
Voluntary aided faith schools and foundation schools	21	-

2.24 Shared Ownership Properties

The cost of unsold shared ownership properties and those under construction is split according to the proportion of the property that will be sold. The proportion to be sold is included in inventories and the proportion to be retained is included in fixed assets. Gross sale proceeds and associated costs of sale are reflected in the Comprehensive Income and Expenditure Statement of the period in which the disposal occurs. The retained element of HRA shared ownership properties is stated at Social Housing Existing Use Value similar to other HRA properties.

Employee benefits

2.25 Employee benefits

- **Benefits payable during employment**

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial vear in which the holidav absence occurs.

- **Termination benefits**

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

- **Post employment benefits**

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

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

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

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

- **Employment benefits - the Local Government Pension Scheme**

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

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

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

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

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

- Service cost comprising
    - current service cost – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - past service cost – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of finance and governance
    - net interest on the net defined benefit liability (asset) - charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement

- Remeasurements comprising
    - the return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset); charged to the pensions reserve, as other comprehensive income and expenditure
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions; charged to the pensions reserve as other comprehensive income and expenditure

- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

- **Discretionary benefits**

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

Financial Instruments

2.26 Financial instruments

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

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund balance to be spread over future years. The council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund balance is managed by a transfer to or from the financial instrument adjustment account in the Movement in Reserves Statement.

- **Financial liabilities**

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

- **Financial assets**

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

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

- **Expected Credit Loss**

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

- **Financial Assets Measured at Fair Value through Profit of Loss (FVPL)**

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

Provisions, contingent liabilities and contingent assets

2.27 Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

2.28 Contingent liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

2.29 Contingent assets

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts.

2.30 Minimum Revenue Provision

For both supported borrowing and prudential borrowing the Council uses the asset life method and an annuity approach to calculate repayments for purposes of making Minimum Revenue Provision (MRP) against its Capital Financing Requirement each year.

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

Further details on MRP policy are available in the Council’s Annual Treasury Strategy Statement.

Group Accounts

2.31 Schools

The Code specifies that all schools maintained by the council are deemed to be under the council’s control. The transactions and balances attributable to the governing bodies of the maintained schools have been consolidated into the council’s financial statements, applying accounting policies for recognition and measurement consistent with those applied by the council to its own income, expenditure, cash flows, assets and liabilities. Transactions and balances between the council and schools have been eliminated.

2.32 Interests in companies and other entities

The nature of the relationship between the council and the maintained schools is not similar to a parent entity and its subsidiaries, associates or joint ventures, therefore, it does not merit for group accounts to be prepared. Additionally, review of the council's relationships with third parties has determined that there are no such interests in companies and other entities.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

Indexation of Property, Plant and Equipment Valuations	From 1 April 2025, the CIPFA Code will change the arrangements for the valuation of Property, Plant and Equipment. For 2024/25, there has been a general requirement that assets are revalued sufficiently regularly so that their carrying amount at 31 March does not differ materially from their current value at that date. This will be replaced by an option to revalue assets every five years, subject to annual reviews for impairment and the updating of carrying amounts by the application of relevant indices. No adjustments to carrying amounts will be required at 1 April 2025. As indices for 2025/26 will not be available until after 31 March 2026, it is not possible to project what the impact of indexation will be.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 2, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing the Statement of Accounts are as follows:

4.1 Accounting for schools' non-current assets

An accounting judgement has been made for each of the council's maintained schools as to whether their non-current assets - land and buildings - should be included on the council's own balance sheet. The council has assessed the legal framework for the different types of schools and has determined the following. The council recognises the assets of community, nursery and special schools because the rights and obligations associated with them rest with the council. However, most foundation and voluntary aided schools in the borough are not controlled by the council so their assets are not recognised on the council's balance sheet. The exception is Charles Dickens primary (a foundation school) whose assets are owned and controlled by the council.

St Michael’s, St Thomas, and Sacred Heart are voluntary aided secondary schools. St Michael’s became operational in January 2011, St Thomas in February 2012, and Sacred Heart in September 2014. The schools have been built and operated under PFI arrangements under 25 year contracts with 4 Futures Ltd.

The assets of voluntary aided secondary schools are deemed not to be assets of the council. Even though the council has the obligation to make payments under PFI arrangements to 4 Futures Ltd for operating the schools and reimbursement of the capital expense incurred, the council does not have an interest in the assets. Further details of the financial arrangements for the schools PFI contracts, and the obligations outstanding, can be found in note 35.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts includes estimates and assumptions made by the council about the future or that are otherwise uncertain. These estimates are informed by historical experience, current trends and other relevant factors. However, actual outcomes may differ materially from those assumptions and estimates.

The items in the council's Balance Sheet as at 31 March 2025 that carry a significant risk of material adjustment are: Valuation of Properties; Right of Use Assets and Defined Benefit Pension Liability.

5.1 Valuation of Operational Properties

Operational properties are valued at current Value in accordance with the CIPFA Code and IFRS 13. Valuations are reviewed anually to ensure that non-current assets are not materially misstated. Valuation methodologies include: Depreciated Replacement Cost (DRC), Existing Use Value (EUV) and market comparable methods.

Estimates and assumptions underpin both assets value and Remaining Useful Lives (RUL), contributing to estimation uncertainty. RUL is the estimated time an asset will continue to be useful to the business before it needs to be replaced or disposed of. Due to the high value of operational assets (e.g. Schools, Leisure Centres), over 90% of the portfolio is revalued annually to reduce this risk.

The key drivers of estimation uncertainty include:

a) **Building Cost Information Service (BCIS) data sensitivity**: A 5% reduction in BCIS indices would decrease asset valuations by approximately £59m. This would affect the Revaluation Reserve (RR) or result in a loss in the Comprehensive Income and Expenditure Statement (CIES) which is then reversed out in Movement in Reserve Statement (MiRS) and taken to Capital Adjustment Account (CAA), with no impact on Usable Reserves.
b) **RUL**: Changes in RUL affect the annual depreciation charge to the services in the CIES. For this asset class, the depreciation charge is £23m (note 13).

5.2 Valuation of Housing Revenue Account (HRA) Dwellings (part of PPE)

The Council's HRA dwellings are valued using the beacon methodology, where representative properties are valued using market evidence and extrapolated across the stock by archetype and location.

For 2024/25, a 25% adjustment factor has been applied for Economic Use Value for Social Housing (EUV – SH), consistent with prior years and in line with DCLG guidance.

The most significant driver of value is market value which is sensitive to : Local housing supply and demand; lending conditions and interest rate fluctuations.

A 5% reduction in market value would decrease the EUV-SH valuation by approximately £179m. This would reduce the RR or result in a loss in the CIES, reversed through the MiRS to the CAA, with no impact on HRA Reserves.

5.3 Valuation of Investment Properties

Investment properties are valued at fair market value using professional techniques that consider factors such as rental income, market yields, location, lease terms, and tenant quality. These valuations reflect how market participants would price the assets.

Where reliable market data is available, it is used to support the valuation. However, in some cases, professional judgement is required, which introduces uncertainty. As a result, the estimated fair value may differ from the price that could be achieved in an actual sale at the reporting date.

The Council holds a large and varied portfolio of investment properties. Due to the complex interplay of assumptions, it is not practical to quantify how changes in individual assumptions would affect valuations. Even small changes can lead to significant shifts that may not reflect real market conditions.

Although changes in valuation affect the reported surplus or deficit CIES, these are reversed through the MiRS, meaning there is no impact on the General Fund balance.

5.5 Defined benefit pension liability

The council recognises its outstanding liabilities to meet future pensions costs, and accounts for those liabilities in accordance with IAS 19. At 31 March 2025 the outstanding net pensions liability was assessed at £0m (£0m at 31 March 2024). For two of the pension funds the council contributes to, its own and that of the London Pension Fund Authority, the council’s outstanding liability is assessed by consulting actuaries to each fund.

Estimation by the actuaries of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The effects on the net pension’s liability of changes in individual assumptions can be measured. The estimates, assumptions and sensitivity of changes in assumptions are provided in note 38.

6. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet reporting period are those events, both favourable and unfavourable, that occur between the Balance Sheet date and the date when the statement of accounts is authorised for issue.

Two types of events can be identified:

• those that provide evidence of conditions that existed at the end of the reporting period – the statement of accounts is adjusted to reflect such events

• those that are indicative of conditions that arose after the reporting period – the statement of accounts is not adjusted to reflect such events, but where such a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

There have been no events since 31 March 2025 and up to the date when these accounts were published that require any adjustments to these accounts.

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS: ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

	2024/25				2023/24			
Adjustments from General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Children and Adults	19,744	(1,785)	(9,621)	8,338	11,274	(1,541)	(7,548)	2,185
Environment, Sustainability and Leisure	23,327	(1,962)	(30,115)	(8,750)	18,680	(1,600)	(25,973)	(8,893)
Resources*	15,511	(1,029)	51,475	65,957	87,007	(825)	76,672	162,854
Governance and Assurance	2,708	(414)	(2,947)	(653)	3,750	(312)	(3,747)	(309)
Strategy and Communities	-	(117)	8	(109)	-	(87)	-	(87)
Housing GF	686	(212)	(170)	304	2,239	(172)	(114)	1,953
Integrated Health and Care	-	(85)	25	(60)	-	-	-	-
Housing Revenue Account (HRA)	139,550	(1,828)	(27,003)	110,719	139,588	(1,286)	(17,619)	120,683
Net cost of services	**201,526**	**(7,432)**	**(18,348)**	**175,746**	**262,538**	**(5,823)**	**21,671**	**278,386**
Other income and expenditure from the funding analysis	(128,675)	(1,203)	30,062	(99,816)	(46,841)	(1,277)	(21,070)	(69,188)
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	**72,851**	**(8,635)**	**11,714**	**75,930**	**215,697**	**(7,100)**	**601**	**209,198**

* 'Finance' department from 2023/24 has been renamed to 'Resources' in 2024/25.

Adjustments for Capital purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line. For other operating expenditure it adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. For financing and investment income and expenditure it adjusts for the statutory charges for capital financing and investment i.e. minimum revenue provision (MRP) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

For taxation and non-specific grant income and expenditure, capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied through out the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS: ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS continued

Net change for the pensions adjustments

This column adjusts for the net change for the renewal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income. For services, this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs. For financing and investment income and expenditure, this adjusts for the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Other differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. For net cost of services other differences, this represents removal of the annual leave accrual adjustment, dedicated schools grant deficit adjustment, finance costs, premiums and financial instruments adjustments. For financing and investment income and expenditure the other differences column recognises adjustments to General Fund for the timing differences for premiums and discounts and financial instruments. The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the CIPFA Code of Accounting Practice for Local Authorities 2024/25. This is a timing difference as any difference will be brought forward in future surpluses or deficits in the Collection Fund.

An analysis of the nature of Income and Expenditure:

	2024/25	2023/24
	£000	£000
Expenditure		
Employee expenses	471,961	419,473
Other services expenses	853,765	832,600
Depreciation, amortisation and impairment	323,027	324,602
Interest payments	53,791	45,400
Precepts and levies	2,080	2,059
Losses on disposal of assets	29,868	27,062
Subtotal	**1,734,492**	**1,651,196**
Income		
Fees, charges and other service income	(529,904)	(490,611)
Interest and investment income	(1,462)	37,014
Income from council tax and business rates (NDR)	(234,624)	(229,318)
Government grants and contributions	(827,622)	(765,612)
Gains on disposal of assets	(57,853)	(30,380)
Subtotal	**(1,651,465)**	**(1,478,907)**
(Surplus) / deficit on the provision of services	**83,027**	**172,289**

8. OTHER OPERATING INCOME AND EXPENDITURE

	2024/25	2023/24
	£000	£000
Levies	2,081	2,059
(Gain)/loss on the disposal of non-current assets	(27,985)	(3,318)
Total Other Operating Expenditure	**(25,904)**	**(1,259)**

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2024/25	2023/24
	£000	£000
Interest payable and similar charges	54,994	46,677
Net interest on the net defined benefit liability	(1,203)	(1,277)
Interest receivable and similar income	(5,759)	(11,399)
Income, expenditure and changes in the fair value of investment properties	4,297	48,413
Total Financing and Investment Income and Expenditure	**52,329**	**82,414**

10. TAXATION AND NON-SPECIFIC GRANT INCOME

	2024/25	2023/24
	£000	£000
Council Tax Income	(140,112)	(134,115)
Non-domestic rates income and expenditure	(94,512)	(95,204)
Un-ringfenced government grants	(120,170)	(113,648)
Capital Grants and contributions	(131,509)	(114,279)
Total Taxation and Non-Specific Grant Income	**(486,303)**	**(457,246)**

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments made to the total comprehensive income and expenditure recognised by the council in the year and to the resources that are specified by statutory provisions as being available to the council to meet future capital and revenue expenditure. This is in accordance with proper accounting practice. The following sets out a description of the reserves that the adjustments are made against.

General Fund balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year. The balance is not available to be applied to fund HRA services.

Housing Revenue Account balance

The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the council's landlord function. The balance is not available to be applied to fund General Fund services.

Major repairs reserve

The Major Repairs Reserve controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure for the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land and other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied account holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the income but which has yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and or the financial year in which this can take place.

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS continued

	Usable Reserves					
2024/25	**General Fund Balance**	**Housing Revenue Account**	**Major Repairs Reserve**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments primarily involving the capital adjustment account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(69,512)	(46,429)				115,941
Revaluation losses on Property, Plant and Equipment	(25,839)	(181,250)				207,089
Movements in the fair value of Investment Properties	(22,001)	(204)				22,205
Capital grants and contributions applied	24,518	22,696				(47,214)
Revenue expenditure funded from capital under statute	(19,680)	(597)				20,277
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(3,032)	(26,836)				29,868
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Provision to reduce the capital financing requirement (minimum revenue provision MRP)	15,135	-				(15,135)
Lease and PFI repayment	24,763	387				(25,150)
Capital expenditure charged against the General Fund and HRA balances	4,850	41,450				(46,300)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	84,296	-			(84,296)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-			8,031	(8,031)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,803	48,832		(51,635)		-
Transfer from deferred debtors to usable capital receipts	-	-				-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-		51,729		(51,729)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-		-		-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-		-		-
Adjustments primarily involving the deferred capital receipts reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	6,355				(6,355)
Adjustments primarily involving the Major Repairs Reserve (MRR):						
MRR credited with an amount equal to the depreciation charged to the HRA	-	46,444	(46,444)			-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	46,444			(46,444)

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS continued

2024/25 Continued	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Repayment of premiums	241	824				(1,065)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-				-
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(30,392)	(9,910)				40,302
Employer's pensions contributions and direct payments to pensioners payable in the year	36,903	12,034				(48,937)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(5,175)	-				5,175
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	(6,339)	-				6,339
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,207)	(58)				1,265
Total adjustments	**10,332**	**(86,262)**	**-**	**94**	**(76,265)**	**152,101**

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS continued

	Usable Reserves					
2023/24	**General Fund Balance**	**Housing Revenue Account**	**Major Repairs Reserve**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments primarily involving the capital adjustment account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(44,284)	(46,857)	-	-	-	91,141
Revaluation losses on Property, Plant and Equipment	(90,538)	(142,922)	-	-	-	233,460
Movements in the fair value of Investment Properties	(57,623)	(6,057)	-	-	-	63,680
Capital grants and contributions applied	30,822	63,750	-	-	-	(94,572)
Revenue expenditure funded from capital under statute	(16,936)	(857)	-	-	-	17,793
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(19,702)	(7,360)	-	-	-	27,062
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Provision to reduce the capital financing requirement (minimum revenue provision MRP)	12,615	-	-	-	-	(12,615)
Lease and PFI repayment	7,153	321	-	-	-	(7,474)
Capital expenditure charged against the General Fund and HRA balances	2,612	3,223	-	-	-	(5,835)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	19,706	-	-	-	(19,706)	-
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	82	27,348		(27,430)	-	-
Transfer from deferred debtors to usable capital receipts					-	-
Use of the Capital Receipts Reserve to finance new capital expenditure				25,650	-	(25,650)
Adjustments primarily involving the deferred capital receipts reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	2,950	-	-	-	(2,950)
Adjustments primarily involving the Major Repairs Reserve (MRR):						
MRR credited with an amount equal to the depreciation charged to the HRA		46,857	(46,857)	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure			46,857	-	-	(46,857)

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS continued

2023/24 Continued	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Repayment of premiums	241	824	-	-	-	(1,065)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	740	-	-	-	-	(740)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(31,459)	(8,920)	-	-	-	40,379
Employer's pensions contributions and direct payments to pensioners payable in the year	36,991	10,488	-	-	-	(47,479)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(3,596)	-	-	-	-	3,596
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	1,058	-	-	-	-	(1,058)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	148	(16)	-	-	-	(132)
Total adjustments	**(151,970)**	**(57,228)**	**-**	**(1,780)**	**(19,706)**	**230,684**

12. USABLE RESERVES

Reserves represent the authority's net worth and show its spending power. Usable reserves result from the authority's activities and can be spent in the future. This note sets out the amounts set aside and posted back to Usable Reserves in 2024/25, they include:

- **General Fund Reserve** – to cushion the impact of unexpected events or emergencies
- **Earmarked Reserves** – to provide financing to meet known or predicted future General Fund expenditure plans, and to carryforward revenue grants to meet grant funded revenue projects and commitments
- **School Balances** – amounts set aside for future expenditure in schools
- **HRA Reserves** - amounts specifically required by statute to be set aside and ringfenced for future investment in HRA
- **Capital Reserves** – includes capital receipts and capital grants set aside to finance future capital spending plans

	1 April 2024	Transfer out 2024	Transfer in 2024	31 March 2025	1 April 2023	Transfer out 2023	Transfer in 2023	31 March 2024
	£000	£000	£000	£000	£000	£000	£000	£000
General Fund Reserve	**(22,443)**	**-**	**-**	**(22,443)**	**(22,443)**	**-**	**-**	**(22,443)**
Earmarked Reserves:								
Corporate projects and priorities reserves	(63,567)	4,635		(58,932)	(39,579)	-	(23,988)	(63,567)
Service reviews and improvement reserves	(58,338)		(1,334)	(59,672)	(33,974)	-	(24,364)	(58,338)
Capital programme and other capital investment reserves	(29,754)	3,136		(26,618)	(35,759)	6,005	-	(29,754)
Strategic financial risk reserves	(48,491)	4,475		(44,016)	(59,178)	10,687	-	(48,491)
Technical liabilities and smoothing reserves	(42,295)	2,769		(39,526)	(38,910)		(3,385)	(42,295)
Covid-19 reserves	-	-	-	-	(2,473)	2,473	-	-
Revenue grants reserve	(2,347)	247		(2,100)	(2,617)	270	-	(2,347)
Total Earmarked Reserves	**(244,792)**	**15,262**	**(1,334)**	**(230,864)**	**(212,490)**	**19,435**	**(51,737)**	**(244,792)**
Schools Reserves								
Schools DSG Reserve	(12,937)		(2,928)	(15,865)	(7,184)		(5,753)	(12,937)
Schools balances	(15,059)	6		(15,053)	(13,668)		(1,391)	(15,059)
Total Schools Reserves	**(27,996)**	**6**	**(2,928)**	**(30,918)**	**(20,852)**	**-**	**(7,144)**	**(27,996)**
HRA Reserves								
HRA General Reserve	(16,921)		(3,910)	(20,831)	(19,458)	2,537	-	(16,921)
Major Repairs Reserve	-	46,444	(46,444)	-	-	46,857	(46,857)	-
Total HRA Reserves	**(16,921)**	**46,444**	**(50,354)**	**(20,831)**	**(19,458)**	**49,394**	**(46,857)**	**(16,921)**
Capital Reserves								
Capital Receipts Reserve	(102,506)	51,729	(51,635)	(102,412)	(100,726)	25,650	(27,430)	(102,506)
Capital Grants Unapplied Reserve	(19,706)	8,031	(84,296)	(95,971)	-	-	(19,706)	(19,706)
Total Capital Reserves	**(122,212)**	**59,760**	**(135,931)**	**(198,383)**	**(100,726)**	**25,650**	**(47,136)**	**(122,212)**
Total Usable Reserves	**(434,364)**	**121,472**	**(190,547)**	**(503,439)**	**(375,969)**	**94,479**	**(152,874)**	**(434,364)**

13. PROPERTY, PLANT AND EQUIPMENT (PP&E)

This note summarises the changes that have taken place during the year to the carrying amounts of the council's net book value of property, plant and equipment.

2024/25	Council Dwellings	Other Land and Buildings	ROU Assets Land and Buildings	Vehicles, Plant, Furniture & Equipment	*Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	TOTAL PP&E	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value										
Opening balance	3,392,146	1,196,959	-	146,704	334,429	19,197	13,284	622,673	**5,725,392**	93,523
Additions	64,487	21,197	38,306	22,286	31,860	1,805	10	142,586	**322,537**	2,378
Revaluation increases/(decreases) recognised in the Revaluation Reserve	52,763	20,898	-	-	-	-	(6,014)	-	**67,647**	-
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(198,230)	(30,063)	-	-	-	-	(156)	-	**(228,449)**	-
Derecognition – Disposals	(6,510)	(2,573)	-	-	-	-	-	-	**(9,083)**	-
Derecognition – Other	-	-	-	-	-	-	-	-	**-**	-
Assets reclassified	239,491	(27,195)	-	-	(19,014)	19,300	665	(251,400)	**(38,153)**	-
Balance as at 31 March 2025	**3,544,147**	**1,179,223**	**38,306**	**168,990**	**347,275**	**40,302**	**7,789**	**513,859**	**5,839,891**	**95,901**
Depreciation and Impairment										
Opening balance	(2)	(8,482)	-	(94,734)	-	(901)	-	(196)	**(104,315)**	(14,707)
Depreciation charge	(44,129)	(23,124)	(17,769)	(9,145)	(21,767)	-	(21)	-	**(115,955)**	(2,881)
Depreciation written out on revaluations recognised in the Revaluation Reserve	27,023	23,099	-	-	-	-	21	-	**50,143**	
Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services	16,995	4,364	-	-	-	-	-	-	**21,359**	-
Derecognition – Disposals	110	247	-	-	-	-	-	-	**357**	-
Derecognition – Other	-	-	-	-	-	-	-	-	**-**	-
Assets reclassified	-	-	-	-	-	-	-	-	**-**	-
Balance as at 31 March 2025	**(3)**	**(3,896)**	**(17,769)**	**(103,879)**	**(21,767)**	**(901)**	**-**	**(196)**	**(148,411)**	**(17,588)**
Net Book Value at 31 March 2025	**3,544,144**	**1,175,327**	**20,537**	**65,111**	**325,508**	**39,401**	**7,789**	**513,663**	**5,691,480**	**78,313**

13. PROPERTY, PLANT AND EQUIPMENT (PP&E) continued

2023/24	Council Dwellings	Other Land and Buildings	ROU Assets Land and Buildings	Vehicles, Plant, Furniture & Equipment	*Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	TOTAL PP&E	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value										
Opening balance	3,430,291	1,062,001	-	131,011	329,173	18,981	36,770	629,934	**5,638,161**	91,168
Additions	117,902	29,023		15,693	25,741	216	-	225,003	**413,578**	2,355
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(157,023)	200,559		-	-	-	(13,044)	-	**30,492**	-
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(133,727)	(115,872)		-	-	-	(4,400)	-	**(253,999)**	-
Derecognition – Disposals	(4,049)	(15,505)		-	-	-	(3,332)	-	**(22,886)**	-
Derecognition – Other	-	-		-	-	-	-	(1,020)	**(1,020)**	-
Assets reclassified	138,752	36,753		-	-	-	(2,710)	(231,244)	**(58,449)**	-
Balance as at 31 March 2024	**3,392,146**	**1,196,959**	**-**	**146,704**	**354,914**	**19,197**	**13,284**	**622,673**	**5,745,877**	**93,523**
Depreciation and Impairment										
Opening balance	(2)	(10,648)	-	(87,190)	-	(901)	(3)	(196)	**(98,940)**	(12,288)
Depreciation charge	(44,594)	(18,480)		(7,544)	(20,485)	-	(38)	-	**(91,141)**	(2,196)
Depreciation written out on revaluations recognised in the Revaluation Reserve	27,110	17,367		-	-	-	35	-	**44,512**	(223)
Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services	17,409	3,124		-	-	-	6	-	**20,539**	-
Derecognition – Disposals	75	155		-	-	-		-	**230**	-
Derecognition – Other	-	-		-	-	-	-	-	**-**	-
Assets reclassified	-	-		-	-	-	-	-	**-**	-
Balance as at 31 March 2024	**(2)**	**(8,482)**	**-**	**(94,734)**	**(20,485)**	**(901)**	**-**	**(196)**	**(124,800)**	**(14,707)**
Net Book Value at 31 March 2024	**3,392,144**	**1,188,477**	**-**	**51,970**	**334,429**	**18,296**	**13,284**	**622,477**	**5,621,077**	**78,816**

13. PROPERTY, PLANT AND EQUIPMENT (PP&E) continued

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

The valuation of assets, as at 31 March 2025, has been carried out by Cluttons LLP, in accordance with the Statement of Asset Valuation Practices and Guidance Notes of the Royal Institute of Chartered Surveyors. High value assets such as schools are valued ever year, Other Land and Buildings (OLB) which are not high value and Surplus Assets are valued at 31 March normally on a 20% rolling basis to ensure valuation of all assets in this category are within five years. However for this year 100% of assets have been valued. Council dwellings are valued every year at their existing use based on 'Beacon' valuation principles and have a social housing adjustment element to reduce the balance sheet value to 25% of the beacon value, as directed by MHCLG. Additionally, a review of assets under construction as well as general impairments to assets are carried out on an annual basis.

13. PROPERTY, PLANT AND EQUIPMENT (PP&E) continued

At 31 March 2025, the council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2024/25 and future years budgeted to cost £249.8 million. Similar commitments at 31 March 2024 were £380.1 million.

The commitments are as below:

	2024/25	2023/24
	£m	£m
General Fund	9.8	29.3
Housing Revenue Account	240.0	350.8
Total	**249.8**	**380.1**

The highest value contractual commitments are:

General Fund

	2024/25	2023/24
	£m	£m
The Charter School East Dulwich	1.6	10.3
Riverside Primary School	2.0	10.8
Elephant and Castle, Transport for London works	1.1	-
Total	**4.7**	**21.1**

Housing Revenue Account

	2024/25	2023/24
	£m	£m
Ledbury Towers New Build	157.5	175.2
Tustin Low Rise Works Phase 1	12.7	60.6
66 Linden Grove	9.2	-
Aylesbury FDS PK B New Build	0.0	17.7
Aylesbury H&S Works 23/24 Phase 2	6.6	11.5
Albion New Homes-Construction	3.5	9.5
Total	**189.5**	**274.5**

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14. INVESTMENT PROPERTIES

The income and expenditure on investment assets was as follows:

	2024/25	2023/24
	£000	£000
Rental income from investment property	(23,619)	(20,920)
Fair value adjustments - (upwards)/downwards revaluation	22,190	63,680
Direct operating expenses arising from investment property	5,726	5,653
Net (gain)/loss included in Financing and Investment Income in CIES	**4,297**	**48,413**

The movement in the fair value of investment properties held was as follows:

	2024/25	2023/24
	£000	£000
Balance as at 1 April	**290,176**	**313,232**
Additions	3,130	1,147
Disposals	(1,707)	-
Net gains/(losses) from fair value adjustments	(22,190)	(63,680)
Transfers (to)/from property, plant and equipment (PPE)	38,102	39,477
Balance as at 31 March	**307,511**	**290,176**

The council owns a valuable commercial estate of over 700 properties, including shops, business premises and other miscellaneous properties. The vast majority of these assets have been in the council's ownership for many years having originally been acquired as part of major house building programmes from the 1950s onwards, as part of jobs and industry initiatives in the 1980s or statutorily vested with the council from strategic bodies. The assets are now managed to generate income and market rents are charged.

15a. ASSETS HELD FOR SALE

	Current		Non-Current	
	2024/25	2023/24	2024/25	2023/24
	£000	£000	£000	£000
Balance at 1 April	**18,972**	**16,617**	**-**	**-**
Additions	-	-	-	-
Transfers (to)/from property, plant and equipment (PPE)	51	4,703	-	-
Revaluation gains/(losses) taken to Surplus or Deficit on the Provision of Services	-	(2,348)	-	-
Assets sold	(11,225)	-	-	-
Balance at 31 March	**7,798**	**18,972**	**-**	**-**

15b. INVENTORIES

	2024/25			2023/24		
	Property acquired or constructed for sale	General Stores	Total	Property acquired or constructed for sale	General Stores	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	**11,492**	**512**	**12,004**	**-**	**520**	**520**
Purchases		-	**-**	22	-	**22**
Transfers (to)/from property, plant and equipment (PPE)		-	**-**	14,856	-	**14,856**
Assets sold or expensed in year	(8,209)	(65)	**(8,274)**	(3,386)	(8)	**(3,394)**
Balance at 31 March	**3,283**	**447**	**3,730**	**11,492**	**512**	**12,004**

The council holds inventories which are made up of 2 types - Property units for sale and General Stores which holds materials for asset management such as public lighting, signs, park, etc and cleaning materials.

16. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The balance of cash and cash equivalents is made up of the elements set out below. The bank overdraft is a function of the council's utilisation of multiple pooled bank accounts and is integral to the day-to-day cash management of the council. The bank overdraft includes all outstanding and unpresented items.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

	31 March 2025 £000	**31 March 2024 £000**
Cash held by the council	1,833	3,006
Cash equivalents		1,001
Short-term funds in money markets	53,506	34,490
Subtotal	**55,339**	**38,497**
Bank current accounts (bank overdraft)	(4,482)	(3,967)
Total cash and cash equivalents	**50,857**	**34,530**

17. DEBTORS AND IMPAIRMENT ALLOWANCE

	31 March 2025				31 March 2024			
	GROSS Short-term Debtors	Impairment Allowance	NET Short-term Debtors	Long-term Debtors	GROSS Short-term Debtors	Impairment Allowance	NET Short-term Debtors	Long-term Debtors
	£000	£000	£000	£000	£000	£000	£000	£000
Trade receivables	137,723	(66,765)	70,958	33,172	145,279	(64,753)	80,526	30,887
Central government bodies	40,762	-	40,762	-	39,897	-	39,897	-
Council Tax receivable from taxpayers	49,640	(27,186)	22,454	-	44,582	(22,158)	22,424	-
Housing benefit debtors	18,386	(8,783)	9,603	-	18,319	(8,730)	9,589	-
Non domestic rates receivable from taxpayers	10,295	(6,079)	4,216	-	10,526	(6,211)	4,315	-
Payments in advance	5,992	-	5,992	-	4,654	-	4,654	-
Public bodies	12,411	-	12,411	-	9,802	-	9,802	-
Total	**275,209**	**(108,813)**	**166,396**	**33,172**	**273,059**	**(101,852)**	**171,207**	**30,887**

Debtors with central government bodies, council tax, housing benefit, non-domestic rates and payments in advance are included as a non-financial asset under note 39 Financial Instruments (£95.4m), because they do not meet the definition of a financial asset.

The amount due from central government bodies and other local authorities includes the GLA's share and central government's share of the Collection Fund deficit.

DEBTORS FOR LOCAL TAXATION

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

Age of debt	31 March 2025			31 March 2024		
	£000	£000	£000	£000	£000	£000
	Council Tax	NNDR	Total	Council Tax	NNDR	Total
Less than 1 year	7,260	3,221	10,481	9,967	3,363	13,330
Between 1 and 2 years	5,337	584	5,921	4,883	758	5,641
Between 2 and 3 years	4,330	294	4,624	4,132	194	4,326
More than 3 years	5,527	117	5,644	3,442	-	3,442
Total Council's share	**22,454**	**4,216**	**26,670**	**22,424**	**4,315**	**26,739**

18. CREDITORS

	31 March 2025		31 March 2024	
	Short-term Creditors	Long-term Creditors	Short-term Creditors	Long-term Creditors
	£000	£000	£000	£000
Trade payables	(122,743)	(416)	(141,183)	(6,175)
Central government bodies	(9,356)		(17,410)	-
Council Tax refundable to taxpayers	(8,121)		(7,161)	-
Non domestic rates refundable to taxpayers	(13,605)		(13,258)	-
Employee Benefits	(8,071)		(6,810)	-
PFI finance liability	(4,743)		(5,450)	-
Finance (RoU) lease liability	(18,172)		-	-
Public bodies	(21,309)		(21,625)	-
Receipts in advance	(33,118)		(32,062)	-
Total	**(239,238)**	**(416)**	**(244,959)**	**(6,175)**

Creditors with central government bodies, council tax, non-domestic rates and receipts in advance are included as a non-financial liability in note 39 Financial Instruments (£111.8m), because they do not meet the definition of a financial liability.

19. PROVISIONS

The Insurance provision represents amounts set aside to meet known liabilities but where settlements have not been agreed. Payment for these claims will be made over a number of years. The provision includes an amount in respect of Municipal Mutual Insurance (MMI). The council is responsible for its share of any claims where the incident occurred prior to 31 March 1996.

2024/25	1 April 2024	Increase during year	Utilised during year	31 March 2025
	£000	£000	£000	£000
Long-term provisions				
Insurance provision	(6,684)	(2,120)	-	(8,804)
Water refund provision	(953)	-	-	(953)
Business rates appeals	(93)	(1,528)	-	(1,621)
Southwark Business Services employment terms	(740)	-	240	(500)
Public Health	-	-	-	-
Housing & Modernisation provisions	(86)	-	72	(14)
Civil refunds	(356)	-	356	-
Other	(52)	-	52	-
Total Long-term provisions	**(8,964)**	**(3,648)**	**720**	**(11,892)**
Short-term provisions				
Business rates appeals	(5,924)	(1,879)	-	(7,803)
Total Short-term provisions	**(5,924)**	**(1,879)**	**-**	**(7,803)**

2023/24	1 April 2023	Increase during year	Utilised during year	31 March 2024
	£000	£000	£000	£000
Long-term provisions				
Insurance provision	(9,031)	-	2,347	(6,684)
Water refund provision	(953)	-	-	(953)
Business rates appeals	(9,406)	-	9,313	(93)
Southwark Business Services employment terms	(759)	-	19	(740)
Public Health	(1,476)	-	1,476	-
Housing & Modernisation provisions	(377)	-	291	(86)
Civil refunds	(356)	-	-	(356)
Other	(112)	-	60	(52)
Total Long-term provisions	**(22,470)**	**-**	**13,506**	**(8,964)**
Short-term provisions				
Business rates appeals	(510)	(5,414)	-	(5,924)
Total Short-term provisions	**(510)**	**(5,414)**	**-**	**(5,924)**

20. DEDICATED SCHOOLS GRANT

The council's expenditure on schools is funded primarily by grant provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department for Education to fund academy schools in the council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2013. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2024/25 are as follows:

	Central Expenditure	Individual Schools Budgets	Total	Total
			2024/25	2023/24
	£000	£000	£000	£000
Final DSG before academy and high needs figure recoupment			(395,746)	(374,449)
Academy and High needs figure recouped			182,815	171,560
Total DSG after academy and high needs figure recoupment			**(212,931)**	**(202,889)**
Plus: Brought forward from previous year			(12,937)	(7,184)
Less: Carry-forward agreed in advance			12,937	7,184
Agreed initial budgeted distribution for the year	(87,894)	(125,037)	**(212,931)**	**(202,889)**
In year adjustments	(3,127)	-	**(3,127)**	(4,422)
Final budget distribution for the year	(91,021)	(125,037)	**(216,058)**	**(207,311)**
Less: Actual central expenditure	88,093	-	**88,093**	73,696
Less: Actual ISB deployed to schools	-	125,037	**125,037**	127,862
Plus: Local authority contribution	-	-	**-**	-
In-year Carry-forward (Surplus)/Deficit	**(2,928)**	**-**	**(2,928)**	**(5,753)**
Plus: Carry-forward agreed in advance			(12,937)	(7,184)
Carry-forward Deficit			**(15,865)**	**(12,937)**
DSG unusable reserve as at 1 April			21,651	21,651
Addition to DSG unusable reserve during the year			-	-
Total of DSG unusable reserve as at 31 March (Note 23)			**21,651**	**21,651**
Net DSG position as at 31 March			**5,786**	**8,714**

The final DSG before academy recoupment figure includes a provision for the early years block. Final DSG allocations are announced in June following the end of each financial year based on census figures at the preceding January.

The DSG unusable reserve is part of the Safety Valve agreement to reduce accumulated DSG deficits. The deficit is held on the unusable reserve, while the useable reserve contains funding contributions. Over the agreed period of the Safety Valve the two reserves should equal each other, thereby removing the accumulated DSG deficit.

The in-year surplus of £2.928m has been transferred to the usable reserve while the unusable reserve balance remains £21.651m.

Per Note 12 Usable Reserve and Note 23 Unusable Reserves	2024/25	2023/24
Dedicated Schools Grant balances	**£000**	**£000**
DSG unusable reserve as at 1 April	21,651	21,651
Addition to DSG unusable reserve during the year	**-**	-
Total of DSG unusable reserve as at 31 March (Note 23)	**21,651**	**21,651**
DSG usable reserve as at 1 April	(12,937)	(7,184)
Addition to DSG usable reserve during the year	(2,928)	(5,753)
Total of DSG usable reserve as at 31 March (Note 12)	**(15,865)**	**(12,937)**
Dedicated Schools Grant net accumulated balance	**5,786**	**8,714**

21. GRANT INCOME

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

	2024/25 £000	2023/24 £000
Credited to Taxation and Non Specific Grant Income		
Capital grants and contributions	(131,509)	(114,279)
Revenue support grant	(44,969)	(42,175)
Business rates top up	(33,901)	(38,470)
Business rates relief/section 31 grants	(36,046)	(26,645)
New homes bonus	(4,445)	(1,672)
Lower tier support grant	(809)	(4,686)
Sub total	**(251,679)**	**(227,927)**
Credited to Provision of Services		
Dedicated Schools grant	(214,487)	(205,242)
Housing Benefits Subsidy - rent rebates granted to housing revenue account tenants	(68,828)	(66,120)
Housing Benefits Subsidy - rent allowances	(52,923)	(54,214)
Public Health	(31,685)	(30,466)
Housing Benefits Subsidy - non-housing revenue account rent rebates	(20,772)	(19,552)
Better Care Fund	(21,401)	(20,255)
Improved Better Care Fund	(17,847)	(17,847)
Social Care Support grant	(36,362)	(27,648)
The Private Finance Initiative (PFI)	(9,935)	(9,935)
Pupil Premium grant	(9,565)	(10,059)
Homelessness prevention grant	(7,330)	(7,203)
Market Sustainability Grant	(6,872)	(6,067)
Household Support Grant	(5,470)	-
Other grants individually less than £5 million	(72,466)	(63,077)
Sub total	**(575,943)**	**(537,685)**
Total	**(827,622)**	**(765,612)**

21. GRANT INCOME continued

Capital grants received in advance and applied towards capital expenditure were:

	2024/25	2023/24
	£000	£000
Balance as at 1 April	(174,007)	(207,812)
New capital grants received in advance	(92,997)	(80,474)
Amounts released to the CIES (conditions met)	131,509	114,279
Balance as at 31 March	**(135,495)**	**(174,007)**

The balance of capital grants remaining as receipts in advance were:

	2024/25	2023/24
	£000	£000
Planning Gains	(55,405)	(98,105)
Schools	(877)	(1,144)
New Homes	(75,458)	(68,209)
Other grants	(3,755)	(6,549)
Balance as at 31 March	**(135,495)**	**(174,007)**

22. POOLED BUDGETS

Better Care Fund (BCF)

Southwark council and NHS South East London Integrated Care Board (NHS SEL ICB) are partners in the provision of services to support reduced hospital admissions and length of stay. Joint arrangements of this type are permitted under Section 75 of the National Health Service Act 2006. The BCF provides various services to residents of Southwark who benefit from specific targeted interventions, as well as supporting hospitals to treat people closer to their homes and communities. The council is the lead authority for the arrangement.

	2024/25		2023/24	
	£000	£000	£000	£000
Funding Provided to the Pooled Budget:				
· Council	(24,110)		(22,183)	
· Integrated Care Board (ICB)	(35,115)		(32,183)	
		(59,225)		**(54,366)**
Expenditure met from the pooled budget:				
· Council	46,777		43,726	
· Integrated Care Board (ICB)	12,448		10,640	
		59,225		**54,366**
Net (surplus)/deficit arising on the pooled budget		**-**		**-**

Integrated Community Equipment Store (ICES)

Southwark council and the NHS SEL ICB also operate pooled fund arrangements for an integrated community equipment service. The council is the lead authority for the arrangement. Expenditure met from the pooled budget was £2.89m in 2024-25 (£3.10m in 2023-24) with LBS' share of expenditure standing at 35%.

23. UNUSABLE RESERVES

Unusable reserves are those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. The Unusable Reserves comprise:

	2024/25	2023/24
	£000	£000
Capital Adjustment Account	(2,221,912)	(2,330,819)
Revaluation Reserve	(1,959,317)	(1,887,998)
Pensions Reserve	(48)	(62)
Collection Fund Adjustment Account	21,283	9,769
Financial Instruments Adjustment Account	10,362	11,427
Dedicated Schools Grant Adjustment Account	21,651	21,651
Accumulating Absences Adjustment Account	8,071	6,810
Financial Instruments Revaluation Reserve	-	236
Deferred Capital Receipts Reserve	(9,305)	(2,950)
Total unusable reserves	**(4,129,215)**	**(4,171,936)**

23. UNUSABLE RESERVES continued

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 11 details the sources of all the transactions posted to the account, apart from those involving the revaluation reserve.

	2024/25		2023/24	
	£000	£000	£000	£000
Balance at 1 April		**(2,330,819)**		**(2,555,028)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	115,941		91,141	
Revaluation losses on Property Plant & Equipment and AHFS	207,089		233,460	
Revenue expenditure funded from capital under statute	20,277		17,793	
Movements in the market value of Investment Properties	22,205		63,680	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	29,868		27,062	
		395,380		**433,136**
Adjusting amounts written out of the revaluation reserve for disposals and restatements	(26,973)		(7,999)	
Adjusting amounts written out of the Revaluation Reserve for the difference between fair value depreciation and historical cost depreciation	(19,497)		(18,061)	
Net written out amount of the cost of non current assets consumed in the year		**(46,470)**		**(26,060)**
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	(51,729)		(25,650)	
Use of the Major Repairs Reserve to finance new capital expenditure	(46,444)		(46,857)	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(47,214)		(94,572)	
Application of grants to capital financing transferred to the Capital Adjustment Account	(8,031)		-	
Provision for the financing of capital investment charged against the General Fund and HRA balances	(40,285)		(20,089)	
Capital expenditure charged against the General Fund and HRA balances	(46,300)		(5,834)	
Adjustment between FIAA and CAA			10,135	
		(240,003)		**(182,867)**
Balance at 31 March		**(2,221,912)**		**(2,330,819)**

23. UNUSABLE RESERVES continued

Revaluation reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The revaluation reserve contains only revaluation gains accumulated since 1 April 2007, the date that the revaluation reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2024/25		2023/24	
	£000	£000	£000	£000
Balance at 1 April		**(1,887,998)**		**(1,840,816)**
Upward revaluation of assets	(239,032)		(351,841)	
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of Services	121,239		278,598	
Total of surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of Services		**(117,793)**		**(73,243)**
Adjusting amounts written to the Capital Adjustment Account for disposals and restatements		26,975		8,000
Difference between fair value depreciation and historical cost depreciation		19,499		18,061
Balance at 31 March		**(1,959,317)**		**(1,887,998)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the council makes employer’s contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2024/25	2023/24
	£000	£000
Balance at 1 April	**(62)**	**(138)**
IAS19 report balance adjustment	-	-
Remeasurements of the net defined benefit liability	8,649	7,176
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	40,302	40,379
Employer's pension contributions and direct payments payable to pensioners in the year	(48,937)	(47,479)
Balance at 31 March	**(48)**	**(62)**

23. UNUSABLE RESERVES continued

Collection Fund Adjustment Account

	2024/25	2023/24
	£000	£000
Balance at 1 April	**9,768**	**7,230**
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	11,514	2,538
Balance at 31 March	**21,282**	**9,768**

The Collection Fund adjustment account is analysed into council tax and business rates:

Collection Fund Adjustment Account - Council Tax	2024/25	2023/24
	£000	£000
Balance at 1 April	**4,591**	**995**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	5,175	3,596
Balance at 31 March	**9,766**	**4,591**

Collection Fund Adjustment Account - Business Rates	2024/25	2023/24
	£000	£000
Balance at 1 April	**5,177**	**6,235**
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	6,339	(1,058)
Balance at 31 March	**11,516**	**5,177**

23. UNUSABLE RESERVES continued

Financial instruments adjustment account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

Amongst the transactions on this account are premiums paid on the early redemption of loans; premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out to the Movement in Reserves Statement. Over time the expense is posted back to the Movement in Reserves Statement in accordance with statutory arrangements for spreading the burden on council tax.

	2024/25	2023/24
	£000	£000
Balance at 1 April	**11,428**	**23,368**
Adjustment between FIAA and CAA		(10,135)
Proportion of premiums to be charged against the General Fund Balance in accordance with statutory requirements	(1,066)	(1,065)
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-	(740)
Balance at 31 March	**10,362**	**11,428**

Dedicated Schools Grant Adjustment Account

	2024/25	2023/24
	£000	£000
Balance at 1 April	**21,651**	**21,651**
Transfer of the opening dedicated schools grant deficit from the DSG reserve (earmarked usable reserve) to the DSG adjustment account.	-	-
In year dedicated schools grant deficit	-	-
Balance at 31 March	**21,651**	**21,651**

The Local Authorities (Capital Finance and Accounting) regulations were amended on 29 November 2020. New accounting treatment is required for local authorities' schools budget deficits relating to its accounts for a financial year beginning 1 April 2020, 1 April 2021 and 1 April 2022. Local authorities are not permitted to charge the value of the deficit to the general fund. Any historical deficit and in year deficit is to be recorded in a dedicated schools grant adjustment account, an unusable reserve.

Southwark council entered into a Department for Education Basic Safety Value agreement in 2023 for the period 2022/23 to 2026/27. Additional DSG funding from government in 2023 and future financial years is subject to compliance with the conditions in the DfE Basic Safety Value agreement approved by Southwark council which is intended to eliminate the cumulative DSG deficit by 2026/27 at the latest.

The DSG deficit account is unchanged due to regulation but we have a credit balance in the DSG (note 20) due to having received £9.2m in ‘safety valve’ government funding in 2022/23. This reduces the overall deficit to £14.5m, please see note 20.

23. UNUSABLE RESERVES continued

Accumulating Absences Adjustment Account

The Accumulated Absences Account absorbs the timing differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2023. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2024/25	2023/24
	£000	£000
Balance at 1 April	**6,810**	**6,942**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,261	(132)
Balance at 31 March	**8,071**	**6,810**

24. CASH FLOW FROM OPERATING ACTIVITIES

	2024/25	2023/24
	£000	£000
Adjustment to surplus or deficit on the provision of services for non cash movement:		
Depreciation and impairment of non-current assets	115,941	91,141
Upward/(downward) revaluations	229,294	297,140
Increase/(decrease) in impairment for credit losses (bad debts)	6,959	9,902
Increase/(decrease) in creditors	5,985	(2,619)
(Increase)/decrease in debtors	(4,433)	(29,586)
(Increase)/decrease in inventories	65	8
Movement in pension liability	(8,635)	(7,100)
Increase/(decrease) in provisions	4,807	(8,092)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	29,868	27,062
Other non-cash items charged to the net surplus or deficit on the provision of services	8,187	1,217
Total	**388,038**	**379,073**

	2024/25	2023/24
	£000	£000
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(51,635)	(27,430)
Capital grants included in Taxation and non-specific grant income	(131,509)	(114,278)
Total	**(183,144)**	**(141,708)**

The cash flows from operating activities include the following amounts:

	2024/25	2023/24
	£000	£000
Interest received	(5,759)	(11,399)
Interest paid	54,994	46,677
Net interest	**49,235**	**35,278**

25. CASH FLOW FROM INVESTING ACTIVITIES

	2024/25	2023/24
	£000	£000
Purchase of PP&E, Investment Property and Intangible Assets	(325,667)	(414,747)
Purchase of short-term and long-term investments	-	(86,604)
Proceeds from the sale of Property, Plant and equipment, investment property and intangible assets	51,635	27,430
Proceeds from sale of short-term investments (not considered to be cash equivalents)	28,306	167,232
Capital grants and contributions received	92,997	80,473
Net cash flows from Investing Activities	**(152,729)**	**(226,216)**

26. CASH FLOW FROM FINANCING ACTIVITIES

	2024/25	2023/24
	£000	£000
Cash payments for the reduction of the outstanding liability relating to a finance lease and on-balance-sheet PFI contracts	(25,159)	(7,473)
Cash receipts of short and long-term borrowing	309,886	191,145
Repayments of short and long term borrowing	(237,538)	(92,665)
Net Cash flows from Financing Activities	**47,189**	**91,007**

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (IAS 7)

	Long-term borrowings	Short-term borrowings	Lease liabilities	Total
	£000	£000	£000	£000
Opening balance as at 1 April 2023	**(894,820)**	**(103,138)**	**(76,444)**	**(1,074,402)**
Financing cash flows	(72,074)	(26,406)	7,473	(91,007)
Non-financing cash flows	-	-	(2,355)	(2,355)
Closing balance as at 31 March 2024	**(966,894)**	**(129,544)**	**(71,326)**	**(1,167,764)**
Opening balance as at 1 April 2024	**(966,894)**	**(129,544)**	**(71,326)**	**(1,167,764)**
Financing cash flows:				
Repayment	55,792	181,746	25,159	262,697
Proceeds	(205,395)	(104,491)		(309,886)
Subtotal	**(149,603)**	**77,255**	**25,159**	**(47,189)**
Non-financing cash flows:				
Acquisition			(42,878)	(42,878)
Fair value				-
Reclassification				-
Subtotal	**-**	**-**	**(42,878)**	**(42,878)**
Closing balance as at 31 March 2025	**(1,116,497)**	**(52,289)**	**(89,045)**	**(1,257,831)**

28. EXTERNAL AUDIT COSTS

	2024/25	2023/24
	£000	**£000**
Fees payable for external audit services carried out by the appointed auditor for the year (PSAA scale fee)	591	556
Additional fees payable for external audit services carried out by the appointed auditor (per ISA 260 report, subject to PSAA approval)	-	
Total external audit fees	**591**	**556**
Fees payable to the appointed auditor for the certification of grant claims and returns for the year	38	62
Fees payable in respect of other non-audit services not covered above	-	
Total non audit fees	**38**	**62**
Total fees payable to external auditor	**629**	**618**

29. MEMBERS' ALLOWANCES

The amount of members' allowances and expenses paid in 2024/25 was £1,623,230 (£1,580,794 in 2023/24).

30. OFFICERS' REMUNERATION

In accordance with regulation, it is necessary to report on the remuneration of senior employees. Senior employees are defined as those who are members of the Chief Officer Team or whose remuneration is £150,000 or more per year (annualised if part-time).

The following table sets out this information for both 2024/25 and 2023/24.

	2024/25					2023/24		
Post-holder	Salary	Electoral Duties	Total Remuneration	Compensation for Loss of Office	Council's contributions to the Pension Fund	Remuneration	Compensation for Loss of Office	Council's contributions to the Pension Fund
	£	£	£	£	£	£	£	£
Chief Executive - A Loderick	235,975	14,249	250,224	-	48,375	230,368	-	47,225
Strategic Director of Children and Adults' Services - D Quirke-Thornton	208,239	-	208,239	-	42,689	203,301	-	41,677
Strategic Director of Resources - C Palfreyman	208,239	6,422	214,661	-	42,689	173,012	-	35,467
Strategic Director of Finance	-	-	-	-	-	29,315	113,435	6,010
Strategic Director of Housing - H Osinaike	195,183	-	195,183	-	40,013	15,378	-	3,152
Strategic Director of Housing	-	-	-	-	-	171,496	30,000	35,157
Strategic Director of Environment, Sustainability and Leisure - T Ainge	163,979	-	163,979	-	33,616	26,677	-	5,469
Strategic Director of Environment, Neighbourhoods & Growth	-	-	-	-	-	206,444	-	42,321
Director of Children's Services - A Smith	169,655	-	169,655	-	34,774	165,885	-	34,006
Director of Public Health	-	-	-	-	-	136,574	-	27,998
Strategic Director of Integrated Health & Care	90,833	-	90,833	-	18,621	-	-	-
Asst Chief Exec, Governance & Assurance - D Forrester-Brown	165,542	6,422	171,964	-	33,936	153,914	-	31,552
Asst Chief Exec, Strategy & Communities	99,685	-	-	-	20,435	142,565	-	29,226
Asst Chief Exec, Strategy & Communities	37,962	-	37,962	-	7,782	-	-	-
Managing Director of Southwark Construction - S Davis	187,074	-	187,074	-	38,350	157,619	-	32,312
Director of Asset Management	-	-	-	-	-	157,619	-	32,312

Remuneration reflects actual payments made to the post-holders in the financial years and the related pension fund contributions made in respect of the Local Government Pension Scheme (LGPS) during that same year.

Remuneration figures represent gross pay for the post-holder before that individual's personal contributions to the Southwark Pension Fund. They include basic salary plus any contracted additions paid during the financial year. Senior officers who worked part-time or part of the year have been included based on annualised pay.

Notes:

- The Strategic Director of Finance left in May 2023 and was replaced by the Strategic Director of Finance C Palfreyman in the same period.
- The Strategic Director of Housing left in September 2023 and was replaced in March 2024 by Hakeem Osinaike.
- The Strategic Director of Environment, Neighbourhoods & Growth C Bruce left in February 2024 and was replaced by Toni Ainge.
- The Strategic Director of Integrated Health And Care is a new position that was filled in June 2024.
- The Assistant Chief Executive, Strategy & Communities left in December 2024 and was replaced in January 2025.
- The Director of Public Health's remuneration package this year does not meet the requirements for disclosure as a senior officer and as such it is not being reported.

30. OFFICERS' REMUNERATION continued

During 2024/25 the council employed staff whose taxable remuneration, including payment on termination of employment was £50,000 or more for the year. The numbers of these employees, excluding the senior officers in the table above, is shown below in bands of £5,000:

Number of employees 2023/24				Number of employees 2024/25		
Schools	Non schools	Total	Band (£)	Schools	Non schools	Total
111	482	593	50,000 - 54,999	136	483	619
172	312	484	55,000 - 59,999	174	395	569
60	77	137	60,000 - 64,999	115	121	236
53	60	113	65,000 - 69,999	61	67	128
33	83	116	70,000 - 74,999	43	101	144
29	17	46	75,000 - 79,999	36	27	63
26	25	51	80,000 - 84,999	13	16	29
15	15	30	85,000 - 89,999	24	29	53
18	14	32	90,000 - 94,999	16	13	29
5	16	21	95,000 - 99,999	12	12	24
6	3	9	100,000 – 104,999	4	7	11
9	10	19	105,000 - 109,999	4	20	24
1	3	4	110,000 - 114,999	3	6	9
1	2	3	115,000 – 119,999	5	5	10
-	2	2	120,000 – 124,999	2	-	2
1	-	1	125,000 – 129,999	-	-	-
-	-	-	130,000 – 134,999	-	-	-
1	3	4	135,000 – 139,999	1	1	2
1	3	4	140,000 – 144,999	-	4	4
-	3	3	145,000 – 149,999	2	5	7
-	-	-	150,000 – 154,999	-	-	-
-	-	-	155,000 – 159,999	-	-	-
-	-	-	160,000 – 164,999	-	-	-
542	**1,130**	**1,672**	**Total**	**651**	**1,312**	**1,963**

For the financial year 2024/25, the total number of non-school employees whose earnings exceeded £100,000 per annum (excluding payments on termination of employment) was 21 (30 in 2023/24).

31. TERMINATION BENEFITS

Exit package cost band	Number of exit packages Schools		Number of exit packages Non-schools		Total number of exit packages		Total cost of exit packages by band	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
	No. staff	No. staff	No. staff	No. staff	No. staff	No. staff	£000	£000
£0 - £20,000	34	53	9	7	**43**	**60**	372	530
£20,001 - £40,000	4	12	6	7	**10**	**19**	224	642
£40,001 - £60,000	3	1	4	3	**7**	**4**	328	202
£60,001 - £80,000	-	2	4	3	**4**	**5**	282	425
£80,001 - £100,000	-	2	3	1	**3**	**3**	251	321
£100,001 - £150,000	-		4	4	**4**	**4**	481	485
£150,001 - £200,000	-		2	4	**2**	**4**	347	638
£200,001 - £300,000	-		-	2	**-**	**2**	-	469
Total	**41**	**70**	**32**	**31**	**73**	**101**	**2,285**	**3,712**

One compulsory redundancy was made by schools in 2024/25 totalling £30,108 (2023/24 eight compulsory redundancies totalling £190,822).

Note that in some cases bands have been amalgamated in order to ensure that individual exit packages cannot be recognised by comparing number of packages to the total cost of packages in a band.

32. RELATED PARTY TRANSACTIONS

The authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority.

Government Organisations and Other Public Bodies

Central government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates and provides the majority of its funding. Grants received from government departments during the year and receipts outstanding at 31 March 2025 are set out in note 21 to the

Members and chief officers

Members of the council have direct control over the council's financial and operating policies.The total of members' allowances paid in 2024/25 is shown in note 29. Information regarding reportable transactions has been collated by requiring all members and chief officers to declare any related party transactions. A review of the register of members' interests has been conducted, including the register of declarations at committee meetings.

Related party interests for which transactions exist for financial outflows in 2024/25 were declared by 15 councillors with no submission from chief officers (17 and 0 respectively in 2023/24). Related party interests for which transactions exist for financial inflows in 2024/25 were declared by 7 councillors with no submission from chief officers (8 and 0 respectively in 2023/24).

	2024/25		2023/24	
	£000	£000	£000	£000
	Transactions	Balance	Transactions	Balance
Financial outflows (vendors)				
Businesses or other organisations	3,568	-	4,628	-
Voluntary or Charitable organisations	448	(25)	3,390	-
Total	**4,016**	**(25)**	**8,018**	**-**
Financial inflows (customers)				
Businesses or other organisations	(394)	1	(499)	(91)
Voluntary or Charitable organisations	(154)	(11)	73	12
Total	**(548)**	**(10)**	**(426)**	**(79)**

In addition to the above, many members have relationships or hold positions with other public bodies and voluntary organisations, e.g. schools, with which the council does not have a financially material relationship, but with which the council has a non-financial or influential relationship.

Pensions

The council is the administering authority of the Pension Fund. The council charged the fund £1.0 million (£0.8 million in 2023/24) for expenses incurred in administering the Pension Fund which is included within the Statement of Accounts.

33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and private finance initiatives (PFI) / public private partnership (PPP) contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed.

	2024/25	2023/24
	£000	**£000**
Opening Capital Financing Requirement	**1,742,603**	**1,503,065**
Capital Investment		
Property, Plant & Equipment (including assets held for sale)	322,537	413,600
Revenue expenditure funded from capital under statute (REFCUS)	20,277	17,793
Long-term debtors	2,233	-
Investment property	3,130	1,147
Total capital investment	**348,177**	**432,540**
Sources of capital finance		
Capital receipts	(51,729)	(25,650)
Government grants and other contributions	(55,245)	(94,572)
Direct revenue contributions	(46,300)	(5,834)
Major Repairs Reserve	(46,444)	(46,857)
Minimum revenue provision (MRP) / loans fund principal	(40,285)	(20,089)
Total capital investment financed	**(240,003)**	**(193,002)**
Closing Capital Financing Requirement	**1,850,777**	**1,742,603**
Explanation of movement		
Increase in underlying need to borrow	67,490	237,183
Assets acquired under lease agreements	38,306	
Assets acquired under private finance initiative (PFI) contracts	2,378	2,355
Net movement in year	**108,174**	**239,538**

34. LEASES

Leases which effectively transfer the majority of risks and rewards associated with ownership of a non-current asset to the authority are accounted for as though the asset has been purchased. Assets obtained through thesse finance leases are recorded under non-current assets at the lower of either their fair value or the present value of the minimum lease payments. The capital portion of the lease is recognised as a liability under finance lease obligations or creditors.

Lease payments are split into capital and interest components. The capital element reduces the outstanding lease liability, while the interest element is expensed to revenue on a straight-line basis over the lease term.

From 1 April 2024, the Council implemented IFRS 16. Accordingly, from the 2024/25 financial year onwards, all adjustments reflect the recognition of right-of-use assets and associated lease liabilities for leases previously classified as operating leases. These assets are recognised as property, plant, and equipment on the Balance Sheet and are depreciated over the shorter of their useful life or the lease term.

	2024/25			2023/24
Right of Use Assets	**Land**	**Buildings**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**
Opening balance at 1 April*	-	-	-	*
Adjustments for right of use assets (GBV)	1,072	37,233	38,305	
Additions	-	-	-	
Revaluation increases/(decreases)	-	-	-	
Derecognition	-	-	-	
Depreciation	(68)	(17,701)	(17,769)	
Closing balance at 31 March	**1,004**	**19,532**	**20,536**	**-**

	2024/25			2023/24
Lease Liabilities	**Long term**	**Short term**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**
Opening balance at 1 April*	-	-	-	*
Adjustments for right of use assets	(19,013)	(19,293)	(38,306)	
Additions	-	-	-	
Derecognition	-	-	-	
Interest	(2,039)	-	(2,039)	
Payments	-	19,293	19,293	
Transfers	18,172	(18,172)	-	
Closing balance at 31 March	**(2,880)**	**(18,172)**	**(21,052)**	**-**

*IFRS 16 was implemented from 1 April 2024 and no comparative is applicable.

The council as Lessor – operating leases

The council has industrial and commercial units which it lets out. It also lets out workshops and property for shops, community and commercial use.

The future minimum rentals receivable under these leases are set out below:

	31/03/2025	31/03/2024
Period due	**£000**	**£000**
Within 1 year	16,021	16,498
Within 2 to 5 years	49,238	51,310
After 5 years	55,870	62,162
Total due	**121,129**	**129,970**

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

Private Finance Initiatives (PFI) and similar contracts typically involve a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time, in return for a series of payments over the period of the arrangement.

A contract is determined to meet the definition of a service concession arrangement where the following two tests are met:

- the council controls or regulates what services the operator must provide with the property, to whom it must provide them, and at what price
- the council controls any significant residual interest in the property at the end of the term of the arrangement (typically through ownership or beneficial entitlement)

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to interest payable and similar charges in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to interest payable and similar charges in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs – debited to the relevant service in the Comprehensive Income and Expenditure Statement

The following schemes have been accounted for as PFI or similar contracts:

- St Michael’s is a new secondary (academy) school which became operational in January 2011. The school was built and is operated over a 25 year contract by 4 Futures Ltd, the majority shareholder of which is Amber Infrastructure Limited.
- St Thomas is a new secondary (voluntary aided) school, which became operational in February 2012. The school was built and is operated over a 25 year contract by 4 Futures Ltd.
- Sacred Heart Catholic School is a new secondary (academy) school, which became operational in September 2014. The school was built and is operated over a 25 year contract by 4 Futures Ltd.
- In February 2008 the council entered into a 25-year PFI contract with Veolia Environmental Services for the collection and disposal of waste in the borough. Veolia are to provide high specification facilities to receive transfer and treat waste under the PFI contract from a facility on Old Kent Road, a site the council has leased to the company since September 2008. The integrated waste management facility on Old Kent Road became operational in February 2012. The £682 million contract has enabled the council to deliver government targets for waste minimisation, landfill diversion and recycling.
- In July 2013 the council entered into the Heat Supply PFI Arrangement with Veolia, which involved the contractor putting in place piping and associated facilities to deliver heating to council residents and related services in order to fulfil the council's mandate of delivering services to the public. The heat supply arrangement became operational in November 2013.

Even though the council has the obligation to make payments under PFI arrangements to 4 Futures Ltd for operating the three above schools and reimbursement of the capital expense incurred, the council does not have an interest in the assets.

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS continued

The movements in liabilities resulting from PFI (or similar) contracts were as follows:

	St Michael's Catholic College	St Thomas the Apostle College	Sacred Heart Catholic School	Integrated Waste Management Facility	Heating Supply Arrangement	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Opening balance as at 1 April 2023	**(12,606)**	**(16,068)**	**(15,458)**	**(28,546)**	**(3,766)**	**(76,444)**
New liability incurred	-	-	-	(2,251)	(104)	**(2,355)**
Repayments made in year	640	594	453	5,466	320	**7,473**
Closing balance as at 31 March 2024	**(11,966)**	**(15,474)**	**(15,005)**	**(25,331)**	**(3,550)**	**(71,326)**
Opening balance as at 1 April 2024	(11,966)	(15,474)	(15,005)	(25,331)	(3,550)	**(71,326)**
New liability incurred	(238)	(1,055)	(901)	(2,252)	(126)	**(4,572)**
Repayments made in year	506	825	767	5,427	380	**7,905**
Closing balance as at 31 March 2025	**(11,698)**	**(15,704)**	**(15,139)**	**(22,156)**	**(3,296)**	**(67,993)**

The following has been recognised in the Balance Sheet in respect of PFI (or similar) arrangements:

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Total
	£000	**£000**	**£000**	**£000**
Net Book Value at 1 April 2023	**58,650**	**16,094**	**4,136**	**78,880**
Additions	-	2,251	104	**2,355**
Depreciation & Impairment	(933)	(1,056)	(207)	**(2,196)**
Revaluation	(223)	-	-	**(223)**
Net Book Value at 31 March 2024	**57,494**	**17,289**	**4,033**	**78,816**
Net Book Value at 1 April 2024	57,494	17,289	4,033	**78,816**
Additions	-	2,252	126	**2,378**
Depreciation & Impairment	(1,487)	(1,182)	(212)	**(2,881)**
Revaluations				**-**
Net Book Value at 31 March 2025	**56,007**	**18,359**	**3,947**	**78,313**

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS continued

The projected payments under the agreements are as follows:

	1 year	2-5 years	6-10 years	11-15 years	16-20 years	Total
	£000	£000	£000	£000	£000	£000
St Michael's Catholic College						
Liability	(195)	(3,599)	(6,164)	(1,740)	-	**(11,698)**
Interest	(1,472)	(5,141)	(3,377)	(149)	-	**(10,139)**
Service Charges	(1,094)	(3,677)	(6,195)	(668)	-	**(11,634)**
St Thomas the Apostle College						
Liability	(568)	(3,825)	(8,258)	(3,053)		**(15,704)**
Interest	(1,675)	(5,823)	(4,203)	(324)		**(12,025)**
Service Charges	(308)	(1,342)	(1,947)	(141)		**(3,738)**
Lifecycle Payments	(318)	(820)	(1,238)	(195)		**(2,571)**
Sacred Heart Catholic School						
Liability	(641)	(3,443)	(6,879)	(4,176)		**(15,139)**
Interest	(1,542)	(5,456)	(4,212)	(574)		**(11,784)**
Service Charges	(540)	(2,332)	(3,335)	(2,051)		**(8,258)**
Lifecycle Payments	(147)	(579)	(1,219)	(885)		**(2,830)**
Integrated Waste Management Facility						
Liability	(3,070)	(11,282)	(7,804)	-		**(22,156)**
Interest	(1,310)	(3,757)	(1,366)	-		**(6,433)**
Service Charges	(26,758)	(116,427)	(92,469)	-		**(235,654)**
Lifecycle Payments	(3,237)	(13,963)	(10,614)	-		**(27,814)**
Heat Supply Arrangement						
Liability	(270)	(1,438)	(1,588)			**(3,296)**
Interest	(408)	(1,276)	(447)			**(2,131)**
Service Charges	(2,023)	(8,784)	(7,365)			**(18,172)**
Lifecycle Payments	(129)	(550)	(450)			**(1,129)**

36. OTHER LONG-TERM LIABILITIES

	31 March 2025	31 March 2024
	£000	£000
Payments due under PFI schemes and similar arrangements:		
St Michaels Catholic college	(11,504)	(11,476)
St Thomas the Apostle College	(15,135)	(14,678)
Sacred Heart Catholic school	(14,498)	(14,259)
Integrated waste Management Facility	(19,087)	(22,156)
Heat Supply Arrangement	(3,026)	(3,307)
Payments due under finance lease liabilities IFRS16:		
Finance lease liaibility	(2,880)	
Total	**(66,130)**	**(65,876)**

37. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES (NHS AND TECAHERS)

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by the Education and Skills Funding Agency. The scheme provides teachers with specified benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. Additionally, as part of its public health responsibilities the council employs staff who are members of the NHS Pension Scheme.

The schemes are technically defined benefit schemes. However, both schemes are unfunded and use notional funds as the basis for calculating the employers' contribution rate paid by local authorities. The council is not able to identify its share of underlying financial position and performance of the schemes with sufficient reliability for accounting purposes. For the purposes of the council's statement of accounts, they are therefore accounted for on the same basis as a defined contribution scheme.

In 2024/25 the council paid £15.4m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 28.7% of pensionable pay (£12.6m and 23.6% respectively in 2023/24).

The council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 38.

38. DEFINED BENEFIT PENSION SCHEMES

Participation in the Local Authority Pension Scheme

As part of the terms and conditions of employment of its officers and other employees, the council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The council participates in two pension fund schemes, the London Borough of Southwark Pension Fund (council) and the London Pension Fund Authority Pension Fund (LPFA). Both are funded schemes, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension fund's liabilities with investment assets.

38. DEFINED BENEFIT PENSION SCHEMES continued

Transactions relating to post employment benefits

The council recognises the cost of retirement benefits in the Comprehensive Income and Expenditure Statement (CIES) when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the CIES and the General Fund balance via the Movement in Reserves Statement during the year:

	2024/25			2023/24		
	Council	LPFA	Total	Council	LPFA	Total
	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement						
Cost of services:						
- Current service cost	39,300	105	**39,405**	38,700	153	**38,853**
- Past service costs	2,100	-	**2,100**	2,700	103	**2,803**
Financing and investment income and expenditure:						
- Net interest expense/(income)	(1,200)	(3)	**(1,203)**	(1,200)	(77)	**(1,277)**
Total post employment benefit charged to the surplus or deficit on the provision of services	**40,200**	**102**	**40,302**	**40,200**	**179**	**40,379**
Other comprehensive income and expenditure:						
Remeasurement of the net defined benefit liability comprising						
- IAS19 report balance adjustment			**-**			**-**
- Return on plan assets (excluding amount included in the net interest expense)	71,300	1,191	**72,491**	(124,400)	(2,734)	**(127,134)**
- Actuarial gains and losses arising on changes in demographic assumptions	(13,200)	(95)	**(13,295)**	(28,500)	(530)	**(29,030)**
- Actuarial gains and losses arising on changes in financial assumptions	(291,500)	(2,891)	**(294,391)**	(59,100)	(80)	**(59,180)**
- Actuarial gains and losses arising on changes in liability experience	3,200	(106)	**3,094**	18,800	123	**18,923**
- Other actuarial gains and losses on assets	238,900	1,850	**240,750**	200,300	3,297	**203,597**
Total remeasurements in other comprehensive income and expenditure	**8,700**	**(51)**	**8,649**	**7,100**	**76**	**7,176**
Total post employment benefit charged to the comprehensive income and expenditure statement	**48,900**	**51**	**48,951**	**47,300**	**255**	**47,555**

	2024/25			2023/24		
	Council	LPFA	Total	Council	LPFA	Total
	£000	£000	£000	£000	£000	£000
Movement in reserves statement						
- Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	(40,200)	(102)	**(40,302)**	(40,200)	(179)	**(40,379)**
Actual amount charged against the General Fund Balance for pensions in the year:						
- Employers' contributions payable to the scheme	48,900	37	**48,937**	47,300	179	**47,479**
Net adjustment between accounting basis and funding basis under regulations	**8,700**	**(65)**	**8,635**	**7,100**	**-**	**7,100**

38. DEFINED BENEFIT PENSION SCHEMES continued

Pensions assets and liabilities recognised in the balance sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	2024/25			2023/24		
	Council	LPFA	Total	Council	LPFA	Total
	£000	£000	£000	£000	£000	£000
Fair value of plan assets	2,193,500	68,988	**2,262,488**	2,176,000	70,344	**2,246,344**
Less Present value of defined benefit obligation	(1,590,100)	(34,250)	**(1,624,350)**	(1,828,200)	(38,961)	**(1,867,161)**
Net surplus/(liability) arising from defined benefit obligation pre asset-ceiling	**603,400**	**34,738**	**638,138**	**347,800**	**31,383**	**379,183**
Less asset ceiling under IFRIC 14 assessment	(603,400)	(34,690)	**(638,090)**	(347,800)	(31,321)	**(379,121)**
Net (liability) arising from defined benefit obligation post asset-ceiling	**-**	**48**	**48**	**-**	**62**	**62**

Reconciliation of movement in the fair value of the scheme assets:

	2024/25			2023/24		
	Council	LPFA	Total	Council	LPFA	Total
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	2,176,000	70,344	**2,246,344**	1,972,095	66,884	**2,038,979**
IAS19 report balance adjustment			**-**	5		**5**
Interest income on assets	104,200	3,328	**107,528**	92,500	3,391	**95,891**
Remeasurement gains/(losses) on assets	(71,300)	(1,191)	**(72,491)**	124,400	2,734	**127,134**
Other actuarial gains/(losses)	-	-	**-**	-	-	**-**
Administration expenses	-	(21)	**(21)**	-	(20)	**(20)**
Employer contributions	48,900	37	**48,937**	47,300	179	**47,479**
Contribution by participants	16,500	24	**16,524**	15,000	41	**15,041**
Contribution by admitted bodies	800	-	**800**	700	-	**700**
Net benefits paid out	(81,600)	(3,533)	**(85,133)**	(76,000)	(2,865)	**(78,865)**
Closing balance at 31 March	**2,193,500**	**68,988**	**2,262,488**	**2,176,000**	**70,344**	**2,246,344**

Reconciliation of movement in the present value of defined benefit obligation (liabilities):

	2024/25			2023/24		
	Council	LPFA	Total	Council	LPFA	Total
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	(1,828,200)	(38,961)	**(1,867,161)**	(1,831,200)	(40,101)	**(1,871,301)**
Current service cost	(39,300)	(84)	**(39,384)**	(38,700)	(133)	**(38,833)**
Interest cost	(86,300)	(1,806)	**(88,106)**	(84,700)	(1,935)	**(86,635)**
Contribution by admitted bodies	(800)		**(800)**	(700)	-	**(700)**
Contributions by scheme participants	(16,500)	(24)	**(16,524)**	(15,000)	(41)	**(15,041)**
Change in financial assumptions	291,500	2,891	**294,391**	59,100	80	**59,180**
Change in demographic assumptions	13,200	95	**13,295**	28,500	530	**29,030**
Experience loss/(gain) on defined benefit obligation	(3,200)	106	**(3,094)**	(18,800)	(123)	**(18,923)**
Benefits paid	81,600	3,533	**85,133**	76,000	2,865	**78,865**
Past service costs	(2,100)	-	**(2,100)**	(2,700)	(103)	**(2,803)**
Closing balance at 31 March	**(1,590,100)**	**(34,250)**	**(1,624,350)**	**(1,828,200)**	**(38,961)**	**(1,867,161)**

38. DEFINED BENEFIT PENSION SCHEMES continued

Scheme assets comprised:

	2024/25			2023/24		
	Council	**LPFA**	**Total**	**Council**	**LPFA**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Quoted						
- Equities	1,186,684	40,689	**1,227,373**	1,122,816	42,591	**1,165,407**
- Government bonds	153,545	-	**153,545**	156,672		**156,672**
- Corporate bonds	-	-	**-**	108,800		**108,800**
- Target return portfolio	203,995	12,529	**216,524**	106,624	12,135	**118,759**
- Other	-	-	**-**	8,704		**8,704**
Subtotal	**1,544,224**	**53,218**	**1,597,442**	**1,503,616**	**54,726**	**1,558,342**
Unquoted						
- Equities	54,837	-	**54,837**	47,872		**47,872**
- Infrastructure	-	7,869	**7,869**	-	8,081	**8,081**
- Property	326,831	6,288	**333,119**	298,112	6,435	**304,547**
- Cash	24,129	1,613	**25,742**	69,632	1,102	**70,734**
- Other	243,479	-	**243,479**	256,768		**256,768**
Subtotal	**649,276**	**15,770**	**665,046**	**672,384**	**15,618**	**688,002**
IAS19 report balance adjustment	-	-	**-**	-	-	**-**
Total	**2,193,500**	**68,988**	**2,262,488**	**2,176,000**	**70,344**	**2,246,344**

Basis for estimating assets and liabilities

The scheme assets, as shown above, are those attributable to the council from its membership of the Local Government Pension Scheme (LGPS) for both the London borough of Southwark Pension Fund (Council) and the London Pension Fund Authority (LPFA).

The value of the assets is provided by fund actuaries. The LGPS valuation is based on asset values at 31 March 2025. The LPFA actuary uses market values at 31 January 2025, then indexed for market movements to arrive at a valuation for 31 March 2025.

Liabilities for the council and LPFA schemes have been assessed by Aon Hewitt and Barnett Waddingham respectively. Both have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. The estimates are based on data relating to the latest full valuations as at 31 March 2022 and rolled forward.

As at 31 March 2025, there are 12 employers participating in the London Borough of Southwark Pension Fund (LBSPF) through a passthrough contract with London Borough of Southwark (LBS) where the employers' obligation is to pay a fixed contribution rate (% of pay) to the Fund. The administering authority manages the funding of the liabilities of the passthrough admission bodies by pooling them with the LBS, who in turn is exposed to all pensions risk on the transferred staff, with the exception of a fixed contribution rate payable by the passthrough admission body employers. The accounting policy adopted by LBS has been to report the assets, DBO, and current service costs of the transferred staff (net of the fixed rate contributions payable by the admission bodies) under IAS 19.

In assessing whether the pensions asset can be recognised as a net pension asset in the accounts, LBS has considered the economic benefit it may obtain in the future from the payment of employer contributions below the value of current service costs, considering both its own employees who are members of the LGPS and those employed by the passthrough admission bodies. The assessment allows for the fixed rate contributions payable by the passthrough admission bodies in future years. For the year ending 31 March 2025 there is no future economic benefit to be gained from payment of future contributions below current service costs and therefore the net pensions asset has been restricted to nil.

For the next financial period (i.e. year ending 31 March 2026), the passthrough admission bodies are expected to pay £0.8M in employer contributions which is higher than the expected current service cost of those staff of £0.5M such that over the next financial year it is estimated that the IAS 19 balance sheet (before consideration of an asset restriction) for LBS will improve by £0.3M due to the participation of these admission bodies who pay a fixed contribution rate. The current service cost of the staff employed by the admission bodies will change over time, so the net gain (or loss) from the agreement to pay a fixed contribution rate will change over future accounting periods.

38. DEFINED BENEFIT PENSION SCHEMES continued

Principal assumptions used by the actuaries

	Council		LPFA	
	2024/25	**2023/24**	**2024/25**	**2023/24**
Mortality assumptions				
Longevity at 65 for current pensioners				
- Men (years)	20.9	21.0	19.9	19.9
- Women (years)	23.7	23.8	23.2	23.2
Longevity at 45 for future pensioners				
- Men (years)	21.8	22.3	21.4	21.4
- Women (years)	25.2	25.2	25.0	24.9
Principal financial assumptions				
- Rate of inflation CPI	2.5%	2.6%	2.9%	3.0%
- Rate of increase in salaries	4.0%	4.1%	3.9%	4.0%
- Rate of increase in pensions	2.5%	2.6%	2.9%	3.0%
- Rate of pension accounts revaluation	2.5%	2.6%	0.0%	0.0%
- Rate for discounting scheme liabilities	5.8%	4.8%	5.7%	4.9%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table below. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

Assumption	Impact of increase			Impact of decrease		
	Council	**LPFA**	**Total**	**Council**	**LPFA**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Present value of total obligation						
Longevity (+/- 1 Year)	1,625,100	36,211	**1,661,311**	1,555,100	32,407	**1,587,507**
Rate of increase in salaries (+/- 0.1%)	1,591,700	34,258	**1,625,958**	1,588,500	34,242	**1,622,742**
Rate of increase in pensions (+/- 0.1%)	1,610,800	34,565	**1,645,365**	1,569,400	33,940	**1,603,340**
Rate for discounting scheme liabilities (+/- 0.1%)	1,567,800	33,940	**1,601,740**	1,612,400	34,565	**1,646,965**
Projected service cost						
Longevity (+/- 1 Year)	28,100	75	**28,175**	26,000	71	**26,071**
Rate of increase in salaries (+/- 0.1%)	27,100	73	**27,173**	27,100	73	**27,173**
Rate of increase in pensions (+/- 0.1%)	28,400	74	**28,474**	25,800	72	**25,872**
Rate for discounting scheme liabilities (+/- 0.1%)	25,800	72	**25,872**	28,400	74	**28,474**

Impact on the council's cash flows

The objective of the schemes are to achieve a funding level of 100%, with funding levels monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2025. The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total obligation of £1,624m (£1,867m at 31 March 2024) has a substantial impact on the net worth of the council as recorded in the Balance Sheet, resulting in a net asset of £48k (asset of £62k at 31 March 2024). The surplus recognised in the balance sheet was restricted by £603.4m (2023/24 £347.8m) on the council's scheme and by £34.7m (2023/24 £31.3m) on the LPFA scheme, under paragraph 64 of IAS19 / IFRIC 14 assessment.

As members of the Local Government Pension Scheme, both the council and LPFA schemes have taken account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the act, the Local Government's Pension Scheme may not provide final salary scheme benefits in relation to service after 31 March 2014. The act provides for scheme regulations to be made within common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The anticipated service cost in 2024/25 is £27.1m for the council scheme and £0.07m for the LPFA scheme. The weighted average duration of the defined benefit obligation for the council scheme members is 13.7 years (15.5 years 2023/24) and 10 years for LPFA scheme members (10 years 2023/24).

39. FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes (business rates and council tax) and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the council and can be represented by a contractual obligation to deliver cash or financial assets. The following categories of financial instrument liabilities are carried in the Balance Sheet.

All of the council's financial liabilities held during the year are measured at amortised cost and comprised:
- long-term loans from the Public Works Loan Board and the Mayors Energy Efficiency Fund
- short-term loans from other local authorities
- overdraft with National Westminster Bank
- Private Finance Initiative contracts
- trade payables for goods and services received

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

	Long Term		Short Term		Total	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	£000	£000	£000	£000	£000	£000
Borrowings						
At amortised cost	(1,116,497)	(966,894)	(52,289)	(129,544)	(1,168,786)	(1,096,438)
Cash and Cash Equivalents						
Bank overdraft at amortised cost		-	(4,482)	(3,967)	(4,482)	(3,967)
PFI and Other liabilities						
At amortised cost	(66,131)	(65,876)	(22,915)	(5,450)	(89,046)	(71,326)
Creditors						
At amortised cost	(416)	(6,175)	(122,743)	(141,183)	(123,159)	(147,358)
Total Financial Liabilities	**(1,183,044)**	**(1,038,945)**	**(202,429)**	**(280,144)**	**(1,385,473)**	**(1,319,089)**
Non-Financial Liabilities			(93,580)	(98,326)	(93,580)	(98,326)
Total	**(1,183,044)**	**(1,038,945)**	**(296,009)**	**(378,470)**	**(1,479,053)**	**(1,417,415)**

The short-term borrowing total of £52.2m (£53.4m at 31 March 2024) represents accrued interest and principal payments on long-term borrowing due within 12 months.

The creditors lines in the balance sheet include £93.6m (£98.3m at 31 March 2024) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions (please see note 18 Creditors).

39. FINANCIAL INSTRUMENTS continued

Financial

A financial asset is a right to future economic benefits controlled by the council that is represented by cash or other instruments. The financial assets held by the council during the year are accounted for under the following classifications.

• Amortised cost (where cash flows are solely payments of principal and interest and the council's business model is to collect those cash flows) comprising:
- cash in hand and at bank
- certificates of deposit and covered bonds issued by banks and building societies
- treasury bills and gilts issued by the UK Government
- loans made for service purposes
- lease receivables
- trade receivables for goods and services provided

• Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the council's business model is to collect those cash flows and sell the instrument) comprising:
- bonds issued by banks, building societies, the UK Government, multilateral development banks and large companies that the council holds to sell if cash flow needs demand

• Fair value through profit and loss (all other financial assets) comprising:
- money market funds managed by three fund managers.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

	Long Term		Short Term		Total	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	£000	£000	£000	£000	£000	£000
Investments						
At fair value through other comprehensive income	200	11,304	-	16,524	200	27,828
At amortised cost	-	-		677	-	677
Total Investments	**200**	**11,304**	**-**	**17,201**	**200**	**28,505**
Cash and Cash Equivalents						
At amortised cost	-	-	55,339	38,497	55,339	38,497
Debtors						
Trade receivables at amortised cost*	33,172	30,887	70,958	80,526	104,130	111,413
Total Financial Assets	**33,372**	**42,191**	**126,297**	**136,224**	**159,669**	**178,415**
Non-Financial Assets	**-**	-	95,438	90,681	95,438	90,681
Total	**33,372**	**42,191**	**221,735**	**226,905**	**255,107**	**269,096**

The short-term debtors line on the balance sheet includes £95.4m (£90.7m at 31 March 2024) debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions (please see note 17 Debtors).

The council's treasury investments have been dis-invested from its two external fund managers during the financial year. An internal operation remains to manage short-term liquidity.

*Included in long term debtors are amounts classed as soft loans. These are loans issued by the council at lower than market rate. The opening balance of long term debtors include soft loans issued to Mountview Academy of Theatre Arts and the Central School of Ballet, During 2024-25, the council issued a discounted loan of £1.75m to The Old Vic. The council also offer discounted loans to residents of Southwark via such schemes as Empty Homes Loans.

39. FINANCIAL INSTRUMENTS continued

Financial Instruments – Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consists of the following items:

	2024/25					2023/24				
	Financial Liabilities at amortised cost	Financial Assets at amortised cost	fair value through other comprehensive income	Financial Assets at fair value through profit or loss	Total	Financial Liabilities at amortised cost	Financial Assets at amortised cost	fair value through other comprehensive income	Financial Assets at fair value through profit or loss	Total
	£000		£000	£000	£000	£000	£000		£000	£000
Interest expense	54,868				**54,868**	46,494	-		-	**46,494**
Other charges	126				**126**	183	-		-	**183**
Total expenses in surplus or deficit on the provision of services	**54,994**		**-**	**-**	**54,994**	**46,677**	**-**		**-**	**46,677**
Interest Income		(5,759)			**(5,759)**	-	(4,509)	(2,028)	(4,862)	**(11,399)**
Total income in surplus or deficit on the provision of services	**-**	**(5,759)**	**-**	**-**	**(5,759)**	**-**	**(4,509)**	**(2,028)**	**(4,862)**	**(11,399)**
Surplus/(deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-		(236)	-	**(236)**	-	-	473	-	**473**
Net (gain)/loss for the year	**54,994**	**(5,759)**	**(236)**	**-**	**48,999**	**46,677**	**(4,509)**	**(1,555)**	**(4,862)**	**35,751**

40. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the council approves a treasury management strategy before the commencement of each financial year. The strategy sets out the parameters for the management of risks associated with financial instruments. The council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The treasury management strategy includes an annual investment strategy in compliance with the Department of Levelling Up, Housing and Communities guidance on local government investments. The strategy emphasises that priority is given to security and liquidity, rather than yield. The council's treasury management strategy and its treasury management practices seek to achieve a suitable balance between risk and return.

The council's treasury investments have been dis-invested from its two external fund managers during the financial year. An internal operation remains to manage short-term liquidity.

The main risks covered are:

- Credit risk: the possibility that the counterparty to a financial asset will fail to meet its contractual obligations causing a loss to the council
- Liquidity risk: the possibility that the council might not have the liquid assets available to make contracted payments on time
- Market risk: the possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or asset prices

Credit risk - investments

The council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the treasury management strategy. These include commercial entities with a minimum long-term credit rating of A, the UK government, other local authorities, and organisations without credit ratings upon which the council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

The council is able to utilise the expertise of external fund managers to seek to mitigate credit risk in the construction of a well diversified treasury portfolio. Limits are set on the amount of money that can be invested with a single counterparty (other than the UK government) and no more than 50% of total investments can be for a period longer than one year.

The council's exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally, as the risk of any institution failing to make interest repayments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at 31 March 2025 that this was likely to crystallise.

The maximum exposure to credit risk is represented by the sums held in investments. All treasury investments, value of £53.2m held at 31 March 2025 were held in AAA ,money market funds with at call settlement of T+0 days.

	£000				%			
	A	AA	AAA	Total	A	AA	AAA	Total
	£000	£000	£000	£000	%	%	%	%
Up to 1 year			53,507	**53,507**			99.6%	**99.6%**
1 - 2 years				**-**				**0.0%**
2 - 5 years			200	**200**			0.4%	**0.4%**
Total investments	**-**	**-**	**53,707**	**53,707**	**0.0%**	**0.0%**	**100.0%**	**100.0%**

40. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS continued

Credit risk - receivables

Trade receivables arise from the provision of goods and services and the carrying out of the council's functions. The credit quality of debtors is reflected in the level of the impairment allowance for trade debtors shown in note 17.

In the normal course of carrying out its operations, the council is exposed to the potential risk of default from individuals, firms and organisations that it deals with. Credit is assessed prior to being granted in commercial transactions, for example commercial rents. Debts arising are actively managed and collection targets are used to raise receipts. Debt outstanding is pursued and in appropriate cases further credit is suspended. A charge may be placed on property for debt, but the bulk of the exposure is unsecured and subject to credit risk and notably concentrated within the council's geographical boundary.

The council analyses its debts outstanding to determine the level of impairment allowance to provide for. For example reviewing the age profile of debt, collection rate, stages of the debt such as those summoned to court and other characteristics such as current and former tenants for social housing tenant, then applying an appropriate rate of provision for that type, age and characteristic of the debt.

Liquidity risk

The council has access to long-term loan facilities from the Public Works Loans Board to fund maturing debt and capital financing requirements. Investment may also be realised for working capital requirements.

The council is exposed to the risk that refinancing of maturing debt may occur at times of unfavourable external borrowing rates. To mitigate this risk the council has a diversified debt maturity profile limiting the amount of debt required to be refinanced in the course of any one financial year.

The maturity analysis of principal sums borrowed is as follows:

	2024/25	2023/24
	£000	£000
Less than 1 year	(42,743)	(118,409)
Between 1 and 5 years	(167,900)	(130,653)
Between 5 and 10 years	(243,748)	(157,253)
Between 10 and 20 years	(105,143)	(79,218)
Over 20 years	(599,770)	(599,770)
Total	**(1,159,304)**	**(1,085,303)**

Market risk

The council has exposure to interest rate movements in its borrowing and investments.

Outstanding long-term council debt at 31 March 2025 is primarily from the PWLB. The debt is at fixed rates, with an average maturity of 21.9 years (19.4 years at 31 March 2024). The maturity profile of the debt is shown in the table above. The council may draw further loans from the PWLB if needed. A 1% rise in discount rates at Balance Sheet date would lower the fair value by £92m. As the debt is held at amortised cost there would be no impact on the Comprehensive Income and Expenditure Statement from such a change, unless the debt was extinguished. Legislation would then require a charge to be taken to the financial instruments adjustment account.

All treasury Investments are held in money market funds.

41. FAIR VALUE - ASSETS AND LIABILITIES

Fair value - basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

<table>
<tr><th>Description of asset or liability</th><th>Held on balance sheet as</th><th>Valuation hierarchy</th><th>Basis of Valuation</th><th>Observable and unobservable inputs</th></tr>
<tr><td>Market quoted investments (money market funds, equity funds, corporate, covered government bonds)</td><td>Fair value</td><td>1</td><td>Published bid market price ruling on the final day of the accounting period</td><td>Not required</td></tr>
<tr><td>Long term loans from PWLB / MEEF</td><td>Amortised cost</td><td>2</td><td>Discounting of contractual cash flows over the remaining life of the instrument at an appropriate market rate</td><td>The attributable market derived discount rate for each individual loan</td></tr>
<tr><td>Lease Payable and PFI Liabilities</td><td>Amortised cost</td><td>2</td><td>Projected discounted future Unitary contractual payments</td><td>Payments determined by contractual agreement, discounted at an appropriate market derived corporate bond yield.</td></tr>
<tr><td>Investment Property</td><td>Fair value</td><td>2</td><td rowspan="3">Valued at Fair Value at year end by Head of Property, taking into account the characteristics of the assets, nature of the relevant market for those assets and behaviours of those participating in these markets, assuming the highest and best use for the asset. The valuations employ a market approach technique.</td><td rowspan="3">Quoted rents, yields etc. for comparable assets transacted in active markets, subject to adjustment as necessary in valuer's judgement to equate the evidence with the subject of the valuation.</td></tr>
<tr><td>Assets held for sale</td><td>Fair value</td><td>2</td></tr>
<tr><td>Surplus Assets</td><td>Fair value</td><td>2</td></tr>
</table>

The fair value of certain financial assets and liabilities including debtors and creditors is assumed to be approximate to the carrying amount.

41. FAIR VALUE - ASSETS AND LIABILITIES continued

Financial and non-financial assets and liabilities measured at fair value are classified in accordance with three levels as shown below:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the council can access at the measurement date

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly

Level 3 inputs – Fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

The following table provides an analysis of the financial liabilities grouped into the level at which fair value is observable:

	Fair value level	31 March 2025		31 March 2024	
		Balance Sheet	Fair value	Balance Sheet	Fair value
		£000	£000	£000	£000
Financial liabilities held at amortised cost:					
Long term loans from PWLB	2	(1,116,497)	(957,477)	(1,014,463)	(826,882)
Other long-term loans	2	(7,537)	(5,581)	(5,841)	(3,864)
Private finance initiative liabilities	2	(67,993)	(67,993)	(71,326)	(92,127)
Subtotal		**(1,192,027)**	**(1,031,051)**	**(1,091,630)**	**(922,873)**
Liabilities for which fair value is not disclosed		(287,026)		(325,785)	
Total financial liabilities		**(1,479,053)**		**(1,417,415)**	
Recorded on balance sheet as:					
Short-term creditors		(216,323)		(239,509)	
Short-term borrowing		(52,289)		(129,544)	
Short-term PFI liabilities		(4,743)		(5,450)	
Short-term Lease (RoU) liabilities		(18,172)		-	
Bank overdraft		(4,482)		(3,967)	
Long-term creditors		(416)		(6,175)	
Long-term borrowing		(1,116,497)		(966,894)	
Other long-term liabilities		(66,131)		(65,876)	
Total financial liabilities		**(1,479,053)**		**(1,417,415)**	

The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to be approximate to the carrying amount.

41. FAIR VALUE - ASSETS AND LIABILITIES continued

The following table provides an analysis of the financial assets grouped into the level at which fair value is observable:

	Fair value level	31 March 2025		31 March 2024	
		Balance Sheet	Fair value	Balance Sheet	Fair value
		£000	£000	£000	£000
Financial assets held at fair value:					
Money market funds	1	55,339	55,339	38,497	38,497
Corporate, covered and government bonds	1	200	200	28,505	28,505
Subtotal		**55,539**	**55,539**	**67,002**	**67,002**
Assets for which fair value is not disclosed		199,568		202,094	
Total financial assets		**255,107**		**269,096**	
Recorded on balance sheet as:					
Short-term debtors		166,396		171,207	
Short-term investments		-		17,201	
Long-term debtors		33,172		30,887	
Long-term investments		200		11,304	
Cash and cash equivalents		55,339		38,497	
Total financial assets		**255,107**		**269,096**	

The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to be approximate to the carrying amount.

42. CONTINGENT LIABILITIES

A contingent liability is recognised when there is uncertainty about an obligation arising from a past event which might have otherwise supported a creditor or provision being recognised on the balance sheet. The existence of the obligation will only be confirmed by the occurrence or non-occurrence of future events that might be outside the council's control. Alternatively there might be uncertainty about the timing or amount of outflow of resources connected to the obligation which means it cannot be recognised as a creditor or provision in the accounts. In either case a contingent liability is disclosed in a note to the accounts.

i) As a result of ongoing reviews and investigations the council anticiptes that it might have to pay significant sums in order to fulfill its duties in relation to building safety. These reviews and investigations concern building safety across several sites in the borough including Devon Mansions, Canada Estate, and Kingswood as detailed in published documents from Southwark's Overview and Scrutiny Committee. The timing and amount of these transactions is uncertain and therefore a contingent liability is being disclosed.

43. CONTINGENT ASSETS

A contingent asset arises from past events that will give rise to economic inflow. The existence of the asset will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the council. Given this uncertainty an asset is not recognised on the balance sheet but is disclosed in a note to the accounts.

i) The council has contractual agreements with developers for overage whereby a proportion of profits made on certain projects above an agreed threshold will be paid to the council. In connection with the site within the Ayelsbury Estate development, the council considers that there is a good prospect that it could receive substantial amounts as part of these overage arrangements, depending on future events, for which a rough estimate can be made. In connection with sites within the Canada Water, Nunhead Green, and Penrose Street developments the council consideres that there is a fair prospect that it could receive overage but it cannot currently make any estimate of amounts.

ii) The council has several other agreements relating to housing and other projects in the borough, including development agreements, shared profit, and shared equity agreements. The council could be in line to receive significant sums depending on various uncertain future events.

iii) The council is currently in negotiations with a former major contractor of its leisure services and anticipates that a sum could be due to the authority at the conclusion of negotiations. While the amount can be estimated the transaction will only occur as a result of various uncertain future events which are not wholly within the council's control.

SUPPLEMENTARY FINANCIAL STATEMENTS

2024/25

HOUSING REVENUE ACCOUNT

COLLECTION FUND ACCOUNTS

PENSION FUND ACCOUNTS

HOUSING REVENUE ACCOUNT

2024/25

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT

The Housing Revenue Account is a record of expenditure on, and income from, the provision of local authority housing, and the form and content of the account is prescribed by statute. The Housing Revenue Account is "ring-fenced" and must be self-supporting. Contributions both to and from the Housing Revenue Account (e.g. from the General Fund) are limited to special circumstances.

	Note	2024/25 £000	2023/24 £000
Income			
Dwelling Rents		(250,126)	(222,356)
Non-dwelling rents		(7,341)	(6,682)
Charges for services and facilities		(89,640)	(76,727)
Contributions towards expenditure		(2,203)	(1,627)
Total Income		**(349,310)**	**(307,392)**
Expenditure			
Repairs and maintenance		66,067	75,931
Supervision and management		139,143	145,591
Rents, rates, taxes and other charges		14,916	13,640
Depreciation, impairment and revaluation losses of non-current assets	3	227,678	189,779
Debt management costs		2,986	356
Increase in provisions for bad debts		3,598	3,352
Revenue expenditure funded from capital under statute	4	597	857
Total expenditure		**454,985**	**429,506**
Net cost of HRA Services included in the Comprehensive Income and Expenditure Statement		**105,675**	**122,114**
HRA share of Corporate and Democratic Core		1,106	1,106
Net Cost of HRA Services		**106,781**	**123,220**
Gains and losses on the sales of HRA non-current assets		(28,214)	(22,938)
Interest payable and similar charges		38,680	33,440
Interest and investment income		(4,835)	(9,365)
Income, expenditure and changes in the fair value of investment properties	14	(7,095)	(560)
Pensions interest cost and expected return on pensions assets		(296)	(282)
Capital grants and contributions receivable		(22,696)	(63,750)
Total (surplus)/deficit for the year		**82,325**	**59,765**

The accompanying notes form an integral part of financial statement.

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

This is a reconciliation statement summarising the differences between the outturn on the HRA Income and Expenditure Statement and the HRA Balance.

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources generated and used in the last twelve months. However, a number of items have to be included or removed from the HRA Income and Expenditure Statement to comply with the statutory requirements of accounting for the HRA.

	Note	2024/25	2023/24
		£000	£000
(Surplus)/deficit for the year on HRA services		82,325	59,765
Adjustments between accounting basis and funding basis under regulations	5	(86,262)	(57,228)
Transfers (to)/from earmarked reserves		28	-
(Increase)/decrease in the HRA Balance		**(3,909)**	**2,537**
HRA Balance brought forward		(16,921)	(19,458)
Balance carried forward	6	**(20,830)**	**(16,921)**

The accompanying notes form an integral part of financial statement.

NOTES TO THE HOUSING REVENUE ACCOUNT STATEMENTS

1. THE HOUSING REVENUE ACCOUNT (HRA)

The Housing Revenue Account is a record of expenditure on, and income from, the provision of local authority housing, and the form and content of the Account is prescribed by statute. The Housing Revenue Account is "ring-fenced" and must be self-supporting. Contributions both to and from the Housing Revenue Account (e.g. from the General Fund) are limited to special circumstances.

2. ANALYSIS OF HOUSING STOCK BY TYPE OF DWELLING

Type of Dwelling		Number of bedrooms				Total	Total
		1	2	3+	Other	31 March 2025	31 March 2024
Houses and bungalows	**31 March 2025**	**366**	**723**	**2,896**	**-**	**3,985**	
	31 March 2024	362	721	2,889	-		**3,972**
Low rise flats	**31 March 2025**	**2,727**	**617**	**382**	**-**	**3,726**	
	31 March 2024	2,728	614	383	-		**3,725**
Medium rise flats	**31 March 2025**	**6,640**	**7,229**	**6,233**	**-**	**20,102**	
	31 March 2024	6,600	7,187	6,181	-		**19,968**
High rise flats	**31 March 2025**	**2,777**	**4,630**	**1,791**	**-**	**9,198**	
	31 March 2024	2,713	4,540	1,751	-		**9,004**
Multi-occupied	**31 March 2025**	**-**	**-**	**-**	**96**	**96**	
	31 March 2024	-	-	-	96		**96**
TOTALS	**31 March 2025**	**12,510**	**13,199**	**11,302**	**96**	**37,107**	
TOTALS	**31 March 2024**	**12,403**	**13,062**	**11,204**	**96**		**36,765**

In addition to the numbers shown in the table above, as at 31 March 2025 there were also 1,057 void properties (1,043 at 31 March 2024). These are mostly decanted properties within the major redevelopment projects currently underway; but whilst having been made secure, they have not yet been demolished.

The vacant possession value of buildings as at 31 March 2025 was £13.8bn (£13.2bn as at 31 March 2024). The difference between the vacant possession value and Balance Sheet value of dwellings within the HRA shows the economic cost to the government of providing council housing at less than market rents.

3. DEPRECIATION AND REVALUATION CHARGES

	2024/25	2023/24
	£000	£000
Dwellings depreciation	44,129	44,594
Other property depreciation	2,300	2,263
Revaluation losses on non-current assets	181,250	142,922
Total	**227,679**	**189,779**

4. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

REFCUS is a class of expenditure that may meet statutory definitions of capital expenditure, but is of a nature that is not consistent with the accounting standards definitions of additions to Property Plant and Equipment. Examples include expenditure incurred on assets that are not owned by the council, often referred to as a capital grant. Expenditure is charged to the Income and Expenditure Account as it arises, but is then charged to the Capital Adjustment Account to be financed from capital resources. For the HRA this expenditure would include cash incentive payments (grants to tenants as an incentive to vacate their properties and purchase private accommodation), and statutory home loss payments where the council necessarily relocates tenants to other accommodation.

In 2024/25 £0.597 million was incurred in the HRA as REFCUS (£0.857 million in 2023/24).

5. MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE, NET AMOUNTS REQUIRED BY STATUTE

The following table shows Items included in the HRA Income and Expenditure Account but which are excluded from the movement on HRA Balance for the year:

	2024/25	2023/24
	£000	£000
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	824	824
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(58)	(16)
Gain or loss on the sale of HRA non current assets	28,351	22,938
HRA share of contributions (to)/from the Pensions Reserve	2,124	1,568
Capital expenditure funded by the HRA	41,450	3,223
Transfer to/(from) the Major Repairs Reserve	46,444	46,857
Transfer to/(from) the Capital Adjustment Account	(205,397)	(132,622)
Net amount required by statute to be charged to/(excluded from) the HRA	**(86,262)**	**(57,228)**

6. HRA BALANCE

HRA reserves as at 31 March 2025 of £20.831 million (£16.921 million as at 31 March 2024) are allocated as follows:

	31 March 2025	31 March 2024
	£000	£000
Modernisation, Service and Operational Improvement Reserve	(6,481)	-
Financial Risk Reserve	(14,350)	(16,921)
Total	**(20,831)**	**(16,921)**

The financial risk reserve of £14.4m includes £7.5m of general contingency, £5.6m of debt financing contingency and £1.3m to self-insure against catastropic risks pertaining to the housing stock. The transformation, service and operating reserve of £6.5m comprises earmarked sums for estate parking £0.2m, great estates £0.2m, resident participation £0.4m, discretionary housing payments (DHP) £0.5m, and £0.9m to support the transformation of IT and the repairs service. The principle element £4.3m represents the HRA operating balance that is provisionally earmarked to mitigate the estimated cost of backlog works that have arisien and are to be addressed this financial year.

7. MAJOR REPAIRS RESERVE

	2024/25	2023/24
	£000	£000
Balance 1 April	-	-
Transfers from the Capital Adjustment Account	(46,444)	(46,857)
Transfer to (from) the HRA	-	-
Financing of capital expenditure	46,444	46,857
Balance 31 March	**-**	**-**

8. CAPITAL EXPENDITURE AND FINANCING

	2024/25	2023/24
	£000	**£000**
Capital Investment		
Non-current assets	202,377	330,351
REFCUS	597	857
Total	**202,974**	**331,208**
Funding Source:		
Revenue contributions	(40,000)	(3,223)
Capital receipts from the sales of assets	(51,729)	(25,568)
Grants and other contributions	(22,696)	(63,750)
Major Repairs Reserve	(46,444)	(46,857)
Borrowing	(42,105)	(191,810)
Total	**(202,974)**	**(331,208)**

9. CAPITAL RECEIPTS FROM DISPOSAL OF LAND, HOUSES AND OTHER PROPERTY WITHIN THE HOUSING REVENUE ACCOUNT

	2024/25	2023/24
	£000	**£000**
Council dwellings		
Right to Buy	(18,038)	(11,273)
Non Right to Buy	(20,787)	(5,727)
Other receipts		
Land sales	(9,969)	(10,345)
Mortgages	-	(3)
Sub total	**(48,794)**	**(27,348)**
Less: Pooled (paid to central Government)	-	-
Total	**(48,794)**	**(27,348)**

10. HOUSING TENANTS ACCOUNTS

	2024/25	2023/24
	£000	£000
Gross arrears as at 1 April	34,563	31,279
Prior year payments	(13,539)	(13,845)
Arrears as at 1 April	**21,024**	**17,434**
Charges due in the year	295,546	263,954
Rent rebates	(70,272)	(66,325)
Write-offs	(2,933)	(2,155)
Adjustments	(8,201)	(7,386)
Cash collected	(210,131)	(184,498)
Net arrears as at 31 March	**25,033**	**21,024**
Payments in advance	13,473	13,539
Gross arrears as at 31 March	**38,506**	**34,563**

The arrears position comprises all dwelling stock and non-residential properties, hostels and the Browning Estate Management Board. It excludes temporary accommodation, i.e. bed and breakfast, private sector leasing, and travellers' sites, as these are General Fund services.

11. IMPAIRMENT OF DEBTORS

	2024/25	2023/24
	£000	£000
Rents	(20,205)	(18,605)
Income from hostels	(3,711)	(2,216)
Court costs	(926)	(900)
Commercial rents	(3,789)	(3,710)
Penalty Charge Notices and parking warrants	(4,926)	(4,687)
Total	**(33,557)**	**(30,118)**

12. PENSIONS COSTS

The HRA is charged with the costs of pensions for its employees in accordance with IAS 19. The costs are then reversed out of the HRA to the Pensions Reserve. The values have no net effect on rents or other HRA income.

The apportionment of charges to the HRA under IAS 19 is based on the ratio of employer payroll costs incurred by the council for staff charged to the HRA against those employed for the council as a whole. This apportionment is also applied to actuarially assessed items such as pensions interest cost, the expected return on pension assets, and actuarial gains and losses.

	2024/25	2023/24
	£000	£000
Current service cost less contributions	(1,828)	(1,286)
Interest on pension scheme liabilities	(296)	(282)
Actuarial (gains)/losses	2,127	1,585
Movement on the Pensions Reserve	**3**	**17**
Add Pension contributions attributable to the HRA	12,034	10,488
Total IAS 19 charges	**12,037**	**10,505**

13. WATER CHARGES

In March 2016, the High Court (Chancery Division) found against the council in the matter of charging a tenant for water supplies (via Thames Water), contrary to the Water Resale Order 2006. Refunds to current and former tenants affected by the judgement commenced in 2016-17, and the council made appropriate provision in its accounts for this purpose and continues to do so. The balance on the water refund provision as at 31 March 2025 was £0.953m (31 March 2024 was £0.953m).

Under the terms of the Water Resale Order 2006, the refunds are net of a daily administrative charge, but inclusive of interest at a rate determined by the regulations.

14. INCOME, EXPENDITURE AND CHANGES IN THE FAIR VALUE OF INVESTMENT PROPERTIES

This disclosure identifies expenditure, rental/investment income and changes in the fair value of HRA shops and other HRA assets classified on the balance sheet as investment properties.

The net gain/(loss) included in the HRA Income and Expenditure Statement in 2024/25 is £7.095m (net gain of £0.56m in 2023/24).

Southwark Council

COLLECTION FUND ACCOUNTS

2024/25

COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund account. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates (NDR).

INCOME AND EXPENDITURE ACCOUNT

	Notes	Council Tax	Business Rates	Business Rates Supplement	2024/25	2023/24
		£000	£000	£000	£000	£000
Income						
Income from Council Tax	1	(197,375)			(197,375)	(183,252)
Transfer from the General Fund		(365)			(365)	(319)
Income from Business Rates	2		(314,519)		(314,519)	(282,756)
Transitional protection payments from DLUHC			(12,174)		(12,174)	(24,226)
Income from Business Rate Supplement (BRS)	3			(9,926)	(9,926)	(9,959)
Contribution from preceptors towards previous years Collection Fund deficit	4	(3,967)	(6,409)		(10,376)	(17,555)
Total Income		**(201,707)**	**(333,102)**	**(9,926)**	**(544,735)**	**(518,067)**
Expenditure						
Precepts and Demands						
Greater London Authority (GLA)		52,875			52,875	47,397
London Borough of Southwark		148,236			148,236	137,426
Share of Business Rates						
Greater London Authority (GLA)			126,755		126,755	122,609
London Borough of Southwark			102,774		102,774	99,412
Department of Levelling Up, Housing and Communities (DLUHC)			113,051		113,051	109,354
Transitional protection payment to DLUHC			-		-	-
Cost of Collection allowance (NNDR)			755		755	761
Business Rate Supplement (BRS):	3					
Payment to GLA				9,910	9,910	9,942
Administrative costs				16	16	17
Council Tax impairment of debts:						
Increase/(decrease) allowance for non-collection		6,732			6,732	2,822
Write Offs		909			909	399
NDR Impairment of debts & appeals:						
Increase/(decrease) allowance for non-collection			(442)		(442)	(119)
Write Offs			(18)		(18)	1,987
Provision for appeals	5		11,357		11,357	(12,993)
Contribution to preceptors towards previous years Collection Fund surplus	4	-	-		-	410
Total Expenditure		**208,752**	**354,232**	**9,926**	**572,910**	**519,424**
Net deficit/(surplus) for the year		7,045	21,130	-	28,175	1,357
Deficit/(surplus) at 1 April		6,194	17,258	-	23,452	22,095
Deficit/(Surplus) at 31 March		**13,239**	**38,388**	**-**	**51,627**	**23,452**

The accompanying notes form an integral part of financial statement.

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

Council tax is a property-based tax which is assessed on the value of residential property. For this purpose, the Valuation Office Agency (VoA) categorises residential properties into eight valuation bands (A to H) using estimated market values as at 1 April 1991. The council tax charges are calculated by estimating the amount of income required from the Collection Fund by the council and preceptors for the forthcoming year, and dividing this by the council tax base, which is the estimated total number of properties liable to tax, expressed as a band D equivalent.

In 2024/25 the estimated income required from all preceptors for the Collection Fund was £201.1m (2023/24 £184.8m). The amount of council tax for a band D property was £1,792.98 in 2024/25 inclusive of the GLA precept (2023/24 £1,692.92) and is multiplied by the ratio specified for the particular band to give the council tax due from properties in those bands. The 2024/25 council tax base after allowing for adjustments for non-collection (97.2% collection rate) was 112,166.

The table below shows how the council tax base was set and the resulting band D council tax:

Band	Estimated number of properties after discounts		Ratio	Equivalent number of band D properties	
	2024/25	**2023/24**		**2024/25**	**2023/24**
A	8,267	8,289	6/9	5,511	5,526
B	27,408	27,418	7/9	21,317	21,325
C	28,086	27,579	8/9	24,965	24,515
D	23,347	22,381	9/9	23,347	22,381
E	17,674	16,832	11/9	21,601	20,573
F	6,867	6,552	13/9	9,919	9,464
G	4,294	4,203	15/9	7,157	7,005
H	790	765	18/9	1,580	1,530
Total	**116,733**	**114,019**		**115,397**	**112,319**
Less adjustment for collection rate				(3,231)	(3,145)
Council Tax Base for year				**112,166**	109,174
Estimated Income Required from Collection Fund				**£ 201,111,394**	£ 184,822,848
Band D Council Tax				**£ 1,792.98**	£ 1,692.92

2. NON-DOMESTIC RATES

Non-domestic rates (NDR), known as business rates, are collected from local businesses by the council. From 1 April 2013 the business rates retention scheme was introduced nationally.

For 2024/25, the regulations meant the council could retain 30% business rates income, with the remainder allocated to the Greater London Authority at 37% and the Ministry of Housing, Communities and Local Government (MHCLG) 33%.

Business rates are based on local rateable values set by the Valuation Office Agency (VoA) and a multiplier set by central government. The non-domestic rating multiplier and the small business non-domestic rating multiplier for England in 2024/25 were:

i) the standard multiplier was 54.6p (2023/24 51.2p)

ii) the small business multiplier was 49.9p (2023/24 49.9p)

Local businesses pay NDR calculated by multiplying their rateable value (RV) by the appropriate multiplier and subtracting any relevant reliefs. The total VoA rateable value in Southwark at 31 March 2025 was £805.6m (at 31 March 2024 £815.4m).

3. BUSINESS RATE SUPPLEMENT

Business rate supplements (BRS) are collected from local businesses by the council, on behalf of the GLA for the Crossrail project in London. For 2024/25, the levy remains set at 2p per pound of rateable value (RV), (unchanged since its inception in 2010) on non-domestic properties with a rateable value greater than £75,000. The threshold increased from £70,000 to £75,000 in 2023/24, reflecting the impact of the 2023 business rates revaluation.

4. CONTRIBUTION TO/FROM PRECEPTORS OF THE PREVIOUS YEAR'S ESTIMATED COLLECTION FUND SURPLUS/DEFICIT

As a billing authority, the council is required to make an estimate of the surplus or deficit for the Collection Fund; for council tax by the 15 January and for non-domestic rates by 31 January each year. The estimated surplus or deficit is used in setting the council tax for the following year, by reducing council tax if there is a surplus or increasing council tax if there is a deficit. In January 2024 the Council estimated a Council Tax deficit of £3.967m and NDR deficit of £6.409m for 2023/24, as follows:

	Council Tax	Business Rates	Total
	£000	£000	£000
(Surplus) / Deficit as at 31 March 2023	1,311	20,784	22,095
Estimated in-year (surplus)/deficit for 2023/24	2,656	(14,375)	(11,719)
Estimated (surplus) / deficit as at 31 March 2024	**3,967**	**6,409**	**10,376**

The estimated surplus for council tax was apportioned between the council and the GLA based on their respective demands and precepts on the Collection Fund, and the estimated deficit for business rates was apportioned between the council, the GLA and MHCLG as follows:

Authority	Council Tax		Business Rates		Total
	%	£000	%	£000	£000
Southwark Council	74.36	2,950	30	1,923	4,873
Greater London Authority	25.64	1,017	37	2,371	3,388
Central Government			33	2,115	2,115
Estimated (surplus) / deficit for 2023/24 redistributed in 2024/25		**3,967**		**6,409**	**10,376**

5. PROVISION FOR BUSINESS RATE APPEALS

The introduction of the business rates retention scheme in 2013 allows the council to retain a share of any growth in non-domestic rates (NDR) income, but also transfers some of the risks of losses.

As at 31 March 2025, 428 appeals cases remain unsettled and outstanding with the VoA. Following the 2023 revaluation, a check, challenge, and appeals policy was introduced by central government to reform the business rates appeals system applicable to the new rating list effective on 1 April 2023. The check and challenge system is designed to make the business rates appeals assessment and application process more stringent to reduce the level of unsubstantiated appeals lodged with the VoA.

The provision for alteration of lists and appeals as at 31 March 2025 is £31.4m (£20m as at 31 March 2024), a increase of £11.4m based on consideration of recent case law, potential unlodged appeals cases and other factors including check and challenge cases information from the VoA - Southwark council's share being £9.4m.

Share of provision	Southwark Council	GLA	MHCLG	Total
	30%	**37%**	**33%**	**100%**
	£m	**£m**	**£m**	**£m**
2024/25	9.4	11.6	10.4	**31.4**
2023/24	6.0	7.4	6.6	**20.0**

PENSION FUND ACCOUNTS

2024/25

LONDON BOROUGH OF SOUTHWARK PENSION FUND
STATEMENT OF ACCOUNTS

FUND ACCOUNT

	Note	2024-25		2023-24	
		£000	£000	£000	£000
Dealings with members, employers and others directly involved in the fund					
Contributions	7	(74,225)		(68,208)	
Transfers in from other pension funds	8	(8,016)		(5,489)	
Subtotal			**(82,241)**		**(73,696)**
Benefits	9	81,308		74,953	
Payments to and on account of leavers	10	8,380		6,001	
Subtotal			**89,688**		**80,954**
Net (additions)/withdrawals from dealing with members of the fund			**7,447**		**7,257**
Management expenses	11		15,046		12,752
Net (additions)/withdrawals including fund management expenses			**22,493**		**20,009**
Returns on investments					
Investment income	12	(46,547)		(23,663)	
Taxes on income	12	281		(489)	
Profit and losses on disposal of investments and changes in market value of investments	14a	(1,284)		(171,554)	
Net return on investments			**(47,550)**		**(195,706)**
Net (increase)/decrease in the net assets available for benefits during the year			**(25,057)**		**(175,697)**
Opening net assets of the scheme			(2,236,183)		(2,060,487)
Closing net assets of the scheme			**(2,261,240)**		**(2,236,183)**

NET ASSETS STATEMENT

	Note		31 March 2025 £000		31 March 2024 £000
Long Term Investments			150		150
Investment assets	14		2,261,790		2,226,113
Total Net Investments			**2,261,940**		**2,226,263**
Current assets	21		2,298		18,337
Current liabilities	22		(2,998)		(8,417)
Net assets of the scheme available to fund benefits as at 31 March			**2,261,240**		**2,236,183**

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The estimated actuarial present value of promised retirement benefits is disclosed at note 20.

NOTES TO THE PENSION FUND STATEMENTS

1. DESCRIPTION OF THE FUND

The Pension Fund (the fund) is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Southwark Council (the council).

The following description of the fund is a summary only. For more detail, reference should be made to the pension fund annual report and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the LGPS Regulations.

a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:
- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

It is a contributory defined benefit pension scheme administered by Southwark Council to provide pensions and other benefits for former employees of the council and a number of other scheduled and admitted bodies within the London Borough of Southwark.

The overall investment strategy is the responsibility of the council as the administering authority of the fund. This responsibility is delegated to the Strategic Director of Finance, taking account of the advice of the Pensions Advisory Panel. In line with the provisions of the Public Service Pensions Act 2013, the council has set up a Local Pension Board to assist the council in its role as scheme manager of the Pension Fund. The board meets on a quarterly basis and has its own terms of reference. Board members are independent of the Pensions Advisory Panel.

A list of participating organisations and their contributions for the financial year is included within the pension fund annual report. This is available from the council website.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the fund include:

- Scheduled bodies, which are largely academies and similar bodies whose staff are automatically entitled to be members of the fund
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

A list of participating organisations and their contributions for the financial year is included within the pension fund annual report. This is available from the council website.

Membership details for the fund are set out below:

	31 March 2025	31 March 2024
Number of contributors to the fund	8,184	7,311
Number of contributors and dependants receiving allowances	8,157	8,738
Number of contributors who have deferred their pensions	9,009	8,860
Total contributors	**25,350**	**24,909**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2025. Employee contributions are matched by employers' contributions, which are set in accordance with the triennial actuarial funding valuations, the last being at 31 March 2022. For the 2024-25 financial year primary employer contribution rates ranged from 18.3% to 29.1% of pensionable pay, plus additional deficit payments where appropriate.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014 the scheme became a career average scheme.

A range of other benefits is also provided including early retirement, disability pensions and death benefits as explained on the LGPS website.

	Service pre 1 April 2008	**Service post 31 March 2008**	**From 1 April 2014**
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary	Each year worked is accrued at 1/49 of pensionable pay for the year
Lump sum	Automatic lump sum of 3 x pension. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	

2. BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 2024-25 financial year and its year-end position as at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting ("the Code") in the United Kingdom 2024-25, which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. The new standards issued but not yet adopted by the Code for 2024-25 are: *IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)* issued in August 2023 and *IFRS 17 Insurance Contracts* issued in May 2017. These new accounting standards are expected to have little or no impact for LGPS fund accounts.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The fund has opted to disclose this information in Note 20.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

a) Contributions income

Normal contributions are accounted for on an accruals basis as follows:
- Employee contribution rates are set in accordance with LGPS regulations using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in or out are accounted for when received or paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis. Bulk group transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income is recognised in the fund account as it accrues using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current investment asset.

iii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current investment asset.

iv) Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

v) Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits and/or losses during the year.

Fund account – expense items

d) Benefits payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Management expenses

The Fund discloses its management expenses in line with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Expenses (2016)* . All items of expenditure are charged to the fund on an accruals basis.

Administrative Expenses	All staff costs of pensions administration are charged directly to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.
Oversight and Governance	All staff costs associated with oversight and governance are charged directly to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.
Investment Management Expenses	Fees for the fund managers and custodian are agreed in the respective mandates governing their appointments and are based broadly on the market value of the investments under their management and therefore increase or reduce as the values of these investments change.

f) Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Net Assets Statement

g) Financial assets

Investment assets are included in the net assets statement on a fair value or amortised cost basis as at the reporting date. Cash held by fund managers and the fund's own cash are at amortised cost.

A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the fund. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. Details of the basis of valuation and disclosure levels within the fair value hierarchy are provided at note 16. Foreign currency transactions have been brought into the accounts at the exchange rate that was in force when the transaction took place

h) Freehold and leasehold property

The independent valuation of the direct property portfolio managed on behalf of the fund by Nuveen Investment Management is carried out by Knight Frank LLP. The valuer is a member firm of the Royal Institute of Chartered Surveyors (RICS) and the valuation was at 31 March 2025. All properties are included in the accounts at fair value as at 31 March each year.

i) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund’s external investment managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

l) Loans and Receivables

Financial assets classed as amortised cost are carried in the net asset statement at the value of outstanding principal receivable at the year-end date plus accrued interest.

m) Financial liabilities

The fund recognises financial liabilities at fair value or amortised cost as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the accounts (note 20).

o) Additional voluntary contributions

The fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVC assets are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in note 23.

p) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the net assets statement date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies in note 3 the council has had to make critical judgements about complex transactions and those involving uncertainty about future events. During 2024-25 critical judgements were made regarding directly held property, details of which are set out below.

Directly held property
The fund’s investment portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods between six months and five years. The fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net assets statement at fair value. Rental income is recognised in the fund account on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg if there is a premium paid at the inception of the lease).

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However, actual outcomes could be different from the assumptions and estimates made. The items for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of retirement benefits	This applies to the estimation of the net liability to pay pensions, which depends upon a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The actuarial firm, Aon is engaged to provide the Fund with expert advice about the assumptions.	The approximate impacts of changing the key assumptions on the present value of retirement benefits are: - a 0.1% change in the discount rate would be +/- £23.1m - a 0.1% change in the rate at which salaries are projected to increase would be +/- £1.7m - a 0.1% change in the rate of pension increase would be +/- £21.5m - a one year change in mortality assumptions would be +/- £36.3m
Freehold and leasehold property	Valuation techniques are used to determine the carrying amount of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible, management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The effect of variations in the factors supporting the valuation, estimated to be 6% would see an increase or decrease in the value of directly held property of £14.9m on a fair value of £248.3m.
Pooled property, infrastructure and private equity funds	The investment portfolio held by the pension fund includes properties and assets managed by investment managers on a pooled basis. As the assets are unquoted, values are estimated by the managers using comparable market data, indices and other information from third parties as well as projected revenue streams associated with the assets. The pooled property, infrastructure and private equity funds may not have published prices, are not regularly traded and have many unobservable inputs feeding into their valuations and so are treated as level 3 investments.	The effect of variations in the factors supporting the valuation of pooled property funds is estimated to be 6% which would see a potential increase or decrease of £7.4m on a fair value of £123m. For the pooled infrastructure and private equity holdings, the variation is estimated to be 7.3% meaning a potential increase or decrease in the value of infrastructure funds of £16.9m on a fair value of £230m and an increase or decrease in the value of private equity holdings of £4.4m on a fair value of £60m.

6. EVENTS AFTER THE REPORTING DATE

There have been no material adjusting events after the reporting date.

7. CONTRIBUTIONS RECEIVABLE

By category

	2024-25 £000	2023-24 £000
Employees' contributions	**(18,269)**	**(16,788)**
Employers' contributions		
Normal	(53,574)	(48,554)
Deficit funding	301	(1,714)
Early retirement strain	(2,683)	(1,152)
Total contributions from employers	**(55,956)**	**(51,420)**
Total	**(74,225)**	**(68,208)**

By type of employer

	2024-25			2023-24		
	Employees £000	Employers £000	Total £000	Employees £000	Employers £000	Total £000
London Borough of Southwark council	(16,229)	(49,486)	(65,715)	(14,847)	(46,398)	(61,245)
Admitted Bodies	(250)	(874)	(1,124)	(248)	(736)	(984)
Scheduled Bodies	(1,790)	(5,596)	(7,386)	(1,693)	(4,286)	(5,979)
Total	**(18,269)**	**(55,956)**	**(74,225)**	**(16,788)**	**(51,420)**	**(68,208)**

8. TRANSFERS IN FROM OTHER PENSION FUNDS

Transfer values received in from other pension funds were as follows:

	2024-25 £000	2023-24 £000
Individual transfers	(8,016)	(5,489)
Total	**(8,016)**	**(5,489)**

9. BENEFITS PAYABLE

By category

	2024-25 £000	2023-24 £000
Pensions	67,302	61,626
Commutation of pensions and lump sum retirement benefits	12,338	12,063
Lump sum death benefits	1,668	1,264
Total	**81,308**	**74,953**

By type of employer

	2024-25 £000	2023-24 £000
London Borough of Southwark council	76,977	70,492
Admitted bodies	2,795	2,872
Scheduled bodies	1,536	1,589
Total	**81,308**	**74,953**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2024-25 £000	2023-24 £000
Refund of contributions	122	90
Individual transfers out to other schemes	8,258	5,911
Total	**8,380**	**6,001**

11. MANAGEMENT EXPENSES

	2024-25 £000	2023-24 £000
Administrative costs **	3,266	2,774
Investment and management expenses *	10,723	9,121
Oversight and governance costs **	1,057	857
Total	**15,046**	**12,752**

The council incurred costs of £1m (2023-24 £0.9m) in relation to the administration and governance of the fund during the year and was reimbursed by the fund for these expenses.

* In the interests of greater transparency, the council discloses its fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Expenses (2016)* . In line with the guidance, investment management expenses have been grossed up to include fees deducted from fund assets at source. The adjustment of 2023-24 by an additional £4,945k investment costs is carried out retrospectively and has an equal impact on investment management expenses and the change in market value of investments. The overall net assets of the fund remain as reported last year.

** To align more closely with the guidance, certain items of expenditure have been re-classified between categories for 2023-24. In last year's accounts, administrative costs were £3,511k, investment management expenses £4,051k and oversight and governance costs £245k. These costs have been reanalysed to £2,774k, £4,176k and £857k respectively (before the adjustment for investment fees deducted at source) to assist comparability with the current year.

12. INVESTMENT INCOME

	2024-25 £000	2023-24 £000
Dividends from equities	(4,750)	(2,689)
Income from pooled funds	(28,539)	(10,800)
Income from pooled property funds	(2,441)	(1,858)
Net rental income from properties	(10,772)	(8,302)
Interest on cash deposits	(45)	(14)
Total before taxes	**(46,547)**	**(23,663)**
Taxes on income	281	(489)
Total after taxes	**(46,266)**	**(24,152)**

12a. PROPERTY INCOME

	2024-25 £000	2023-24 £000
Rental income	(13,003)	(10,709)
Direct operating expenses	2,231	2,408
Net rental income from properties	**(10,772)**	**(8,302)**

13. EXTERNAL AUDIT COSTS

	2024-25 £000	2023-24 £000
Payable in respect of external audit	86	75
Total	**86**	**75**

Local Government audit fees are set by the Public Sector Audit Appointments body (PSAA). The scale audit fee set out in the PSAA contract for the 2024-25 audit is £86k.

14. INVESTMENT ASSETS

	31 March 2025 £000	31 March 2024 £000
Long Term Investments		
Equities	150	150
Total	**150**	**150**
Investment Assets		
Equities	235,825	313,576
Pooled Funds		
Equities	493,076	94,974
Property	122,520	129,685
Infrastructure	230,921	218,256
Private Equity	60,066	56,471
Multi Asset Credit	219,440	205,828
Liquidity and Money Market Funds	14,658	18,304
Unitised Insurance Policies		
Fixed income	230,093	153,080
Equities	393,312	815,427
Property	248,300	218,775
Other investment balances *	13,579	1,738
Total Investment Assets	**2,261,790**	**2,226,113**
Net Investments	**2,261,940**	**2,226,263**

* Prior to 2025, cash balances within fund managers' portfolios were reported in note 21 as part of current assets.

14a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year. The table below shows the movement in investment assets and the change in market value for the year:

	Opening balance	Purchases and derivative payments	Sales and derivative receipts	Change in market value	31 March 2025
	£000	**£000**	**£000**	**£000**	**£000**
Long term investment	150	-	-	-	150
Equities	313,576	108,715	(183,378)	(3,088)	235,825
Pooled funds*	982,677	37,959	(25,313)	8,180	1,003,503
Pooled property funds	129,685	2,719	(1,034)	(8,850)	122,520
Unitised insurance policies*	561,358	94,681	(36,572)	3,938	623,405
Property	218,775	22,874	-	6,651	248,300
Liquidity and money market funds	18,304	165,335	(169,213)	232	14,658
	2,224,525	**432,283**	**(415,510)**	**7,063**	**2,248,361**
Derivatives - forward currency contracts	**-**	210	(533)	323	-
	2,224,525	**432,493**	**(416,043)**	**7,386**	**2,248,361**
Other investment balances	1,738			(6,102)	13,579
Total	**2,226,263**			**1,284**	**2,261,940**

Forward currency contract settlements are recognised as cash receipts or payments depending on whether there is a realised gain or a realised loss.

* The opening balance of £407,147k for the Blackrock World Low Carbon Equity Tracker Fund has been reclassified from unitised insurance policies to pooled funds.

	Opening balance	Purchases	Sales	Change in market value	31 March 2024
	£000	**£000**	**£000**	**£000**	**£000**
Equities	267,242	313,964	(310,348)	42,717	313,576
Pooled funds	619,206	225,668	(269,783)	440	575,530
Pooled property funds	89,938	48,337	(349)	(8,240)	129,685
Unitised insurance policies	820,971	761,162	(761,166)	147,539	968,505
Property	194,310	35,960	1,677	(12,502)	218,775
Liquidity and money market funds	45,924	78,042	(107,262)	1,600	18,304
	2,037,590	**1,463,133**	**(1,447,232)**	**171,554**	**2,224,374**
Other investment balances	1,542				1,738
Total	**2,039,132**			**171,554**	**2,226,112**

As disclosed in note 11 above, this year's retrospective adjustment of £4,945k to 2023-24 investment management expenses has an equal and opposite impact on change in market value of investments. Last year's accounts reported change in market value of investments at £166,609k. This restatement does not affect the total valuation of assets or the financial position of the fund.

The Pension Fund does not hold derivatives as a main asset class but they are used by the active equity fund manager, Newton Investment Management, to hedge the currency risk of holding global equities. The currency forward contracts are traded over the counter.

The fund's Investment Strategy Statement can be accessed on the council's website.

14b. INVESTMENTS ANALYSED BY FUND MANAGER

The market values of assets managed by investment managers at the balance sheet date 31 March 2025 are set out in the table below:

	31 March 2025		31 March 2024	
	£000	%	£000	%
BlackRock	529,531	23%	526,168	24%
Blackstone	60,066	3%	56,471	3%
Brockton Capital	9,130	0%	8,528	0%
BTG Pactual	38,362	2%	36,665	2%
Comgest	91,993	4%	94,974	4%
Darwin	41,078	2%	47,753	2%
Frogmore	3,252	0%	5,062	0%
Glennmont	47,637	2%	30,878	1%
Invesco	46,228	2%	46,412	2%
LCIV CQS	108,730	5%	100,000	4%
Legal and General Investment Managers	516,002	23%	467,839	21%
M&G	43,521	2%	42,629	2%
Newton Investment Management	246,236	11%	313,561	14%
Nuveen	253,099	11%	224,345	10%
Robeco	110,710	5%	105,828	5%
Temporis	101,557	5%	102,532	5%
Legal and General Investment Managers SLF	5,021	0%	5,117	0%
Northern Trust MMF	2,196	0%	4	0%
Blackrock MMF	7,441	0%	9,608	0%
Total with fund managers	**2,261,790**	**100%**	**2,224,375**	**100%**
Long term investment	150		150	
Total	**2,261,940**		**2,224,525**	

The following investments represent more than 5% of investment assets at 31 March 2025.

Name of Investment	Fund manager	31 March 2025	% of investment assets	31 March 2024	% of investment assets
		£000	%	£000	%
World Low Carbon Target	BlackRock	401,083	18%	407,147	18%
Low Carbon Transition	Legal and General	393,311	17%	408,280	18%
Fixed Income - unitised insurance	Legal and General	122,690	5%	59,560	3%
Multi Asset Credit	Robeco	110,710	5%	105,828	5%
Multi Asset Credit	LCIV CQS	108,730	5%	100,000	4%
Fixed Income - unitised insurance	BlackRock	107,403	5%	93,520	4%

14c. PROPERTY HOLDINGS

The fund's investment portfolio includes a number of directly owned properties that are leased commercially to various tenants. Details of these properties are as follows:

	2024-25 £000	2023-24 £000
Opening balance	**218,775**	**194,310**
Additions:		
Purchases	17,891	32,448
Subsequent expenditure	4,983	3,512
Disposals	-	(2,276)
Net increase/(decrease) in market value	6,651	(9,219)
Closing Balance	**248,300**	**218,775**

The future minimum lease payments receivable are as follows:

	31 March 2025 £000	31 March 2024 £000
Within one year	11,365	12,679
Between one and five years	34,719	32,593
Later than five years	110,434	108,378
Total future lease payments due under existing contracts	**156,518**	**153,650**

15. ANALYSIS OF DERIVATIVES

The fund does not currently have exposure to derivatives.

16. FAIR VALUE HIERARCHY

The valuation of financial instruments has been classified into three levels in accordance with IFRS 13 according to the quality and reliability of information used to determine fair values.

Level 1 assets are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2 assets are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3 assets are those where at least one input that could have a significant effect on the instruments valuation is not based on observable market data.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Quoted equities	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short term nature of these financial instruments	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments – unit trusts	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	Net assets value (NAV) based pricing set on a forward pricing basis	Not required
Pooled investments - property funds	Level 3	Closing single price at end of accounting period	NAV based pricing valued in accordance with RICS red book valuation standards.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Pooled investments - infrastructure	Level 3	Based upon the fund's share of net assets in the limited partnership using latest valuations updated for cash flows	Purchase price at acquisition for newer or non-operational assets, estimated cash flows, government price support	Market prices and cash yields, government policies on energy subsidies, pace of shift to renewable and clean energy, discount rates
Pooled investments - private equity	Level 3	Based upon the fund's share of net assets in the limited partnership using latest valuations updated for cash flows	NAV based pricing set on a forward pricing basis. Cashflow transactions, i.e.distributions of capital	Material events between date of financial statements provided and the pension fund's own reporting date. Differences between audited and unaudited accounts
Unitised insurance policies	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	Net assets value (NAV) based pricing set on a forward pricing basis	Not required
Freehold, leasehold properties	Level 3	Valued at fair value at the year-end by independent valuers. Valued in accordance with RICS red book valuation standards	Existing lease terms and rentals; Independent market research; Nature of tenancies; Covenant strength for existing tenants; Assumed vacancy levels; Estimated rental growth; Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices

16a. FAIR VALUE HIERARCHY

The following table shows the fair value valuation hierarchy of fund assets and liabilities.

Value as at 31 March 2025	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Equities	235,825	150	-	**235,975**
Pooled Funds				
Equities	-	493,076	-	**493,076**
Multi asset credit	-	219,440	-	**219,440**
Property	-	-	122,520	**122,520**
Infrastructure	-	-	230,921	**230,921**
Private equity	-	-	60,066	**60,066**
Liquidity and money market funds	-	14,658		**14,658**
Unitised Insurance Policies				
Fixed income	-	230,093	-	**230,093**
Equities	-	393,312	-	**393,312**
Other investment balances	13,579			**13,579**
Total financial assets	**249,404**	**1,350,729**	**413,507**	**2,013,640**
Non-financial assets at fair value through profit and loss				
Property	-	-	248,300	**248,300**
Total	**249,404**	**1,350,729**	**661,807**	**2,261,940**

Value as at 31 March 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Equities	313,576	150	-	**313,726**
Pooled Funds				
Equities	-	94,974	-	**94,974**
Multi asset credit	-	205,828	-	**205,828**
Property	-	-	129,685	**129,685**
Infrastructure	-	-	218,256	**218,256**
Private equity	-	-	56,471	**56,471**
Liquidity and money market funds	-	18,304		**18,304**
Unitised Insurance Policies				
Fixed income	-	153,080	-	**153,080**
Equities	-	815,427	-	**815,427**
Total financial assets	**313,576**	**1,287,763**	**404,412**	**2,005,750**
Non-financial assets at fair value through profit and loss				
Property	-	-	218,775	**218,775**
Total	**313,576**	**1,287,763**	**623,187**	**2,224,525**

16b. TRANSFERS BETWEEN LEVELS

There were no transfers between levels during the year.

16c. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

The following table shows the reconciliation of fair value measurements within level 3.

	Opening balance £000	Purchases £000	Sales £000	Realised gain/(loss) £000	Unrealised gain/(loss) £000	31 March 2025 £000
Financial assets at fair value through profit and loss						
Pooled Funds						
Property	129,685	2,719	(1,034)	(692)	(8,158)	**122,520**
Infrastructure	218,256	32,052	(635)	635	(19,387)	**230,921**
Private Equity	56,471	-	-	-	3,595	**60,066**
Non-financial assets at fair value through profit and loss						
Property	218,775	22,874	-	-	6,651	**248,300**
Total	**623,187**	**57,645**	**(1,669)**	**(57)**	**(17,299)**	**661,807**

	Opening balance £000	Purchases £000	Sales £000	Realised gain/(loss) £000	Unrealised gain/(loss) £000	31 March 2024 £000
Financial assets at fair value through profit and loss						
Pooled Funds						
Property	93,636	50,036	(349)	(312)	(9,750)	**133,260**
Infrastructure	190,370	18,204	(1,013)	213	10,482	**218,256**
Private Equity	50,363	8,921	-	-	(2,813)	**56,471**
Non-financial assets at fair value through profit and loss						
Property	194,310	35,960	1,677	-	(12,502)	**219,445**
Total	**528,679**	**113,121**	**315**	**(99)**	**(14,583)**	**627,432**

Sensitivity of assets valued at level 3

Having analysed historical data, information received from valuers and the valuation techniques of fund managers, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges:

Value as at 31 March 2025	Assessed valuation range	Valuation as at 31 March 2025 £000	Value on increase £000	Value on decrease £000
Pooled Funds				
Property	6.0%	122,520	129,871	115,169
Infrastructure	7.3%	230,921	247,778	214,064
Private Equity	7.3%	60,066	64,451	55,681
Property	6.0%	248,300	263,198	233,402
Total		**661,807**	**705,298**	**618,316**

17. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table shows the classification of the Pension Fund's financial instruments:

		31 March 2025 £000	31 March 2024 £000
Financial assets			
	Fair value through profit and loss		
	Equities	235,975	313,726
	Pooled investments	1,018,161	593,833
	Pooled property investments	122,520	129,685
	Unitised insurance policies	623,405	968,506
	Amortised cost		
	Cash	670	3,105
	Other investment balances	13,579	1,738
	Debtors	1,628	918
Total		**2,015,938**	**2,011,510**
Financial liabilities			
	Amortised cost		
	Creditors	(2,998)	(5,656)
Net Total		**2,012,940**	**2,005,854**

17a. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

All realised (gains) and losses arise from the sale or disposal of financial assets that have been derecognised in the financial statements.

		2024-25 £000	2023-24 £000
Financial assets			
	Fair value through profit and loss	(735)	(184,056)
	Amortised cost	6,102	-
Total		**5,367**	**(184,056)**

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management therefore is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the Strategic Director of Resources advised by the Pensions Advisory Panel. Risk management policies are established to identify and analyse the risks faced by the pension fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters whilst optimising the return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the pension fund and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share price risk. This arises from investments held by the fund for which the future price is uncertain. All security investments present a risk of a loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the fund investment strategy.

Potential price changes are determined based on historical data and volatility of asset class returns. For example, 'riskier' assets such as equities will display greater potential volatility than bonds. The following table demonstrates the change in the net assets available to pay benefits if the market price had increased or decreased. In consultation with the fund's investment advisers, the pension fund has determined that the following movements in market price risk are reasonably possible:

2024-25 - asset type	**31 March 2025**	**Change**	**Value on increase**	**Value on decrease**
	£000	**%**	**£000**	**£000**
Fixed income	230,093	7.2%	246,660	213,526
Equities	1,122,363	11.8%	1,254,802	989,924
Multi asset credit	219,440	7.3%	235,459	203,421
Property	370,820	6.0%	393,069	348,571
Infrastructure	230,921	7.3%	247,778	214,064
Private equity	60,066	7.3%	64,451	55,681
Liquidity and money market funds	14,658	0.9%	14,790	14,526
Other Investment balances	13,579	0.9%	13,701	13,457
Total	**2,261,940**		**2,470,710**	**2,053,170**

2023-24 - asset type	31 March 2024 £000	Change %	Value on increase £000	Value on decrease £000
Fixed income	153,080	5.4%	161,346	144,814
Equities	1,224,127	7.9%	1,320,833	1,127,421
Multi asset credit	205,828	5.9%	217,972	193,684
Property	129,685	6.6%	138,244	121,126
Infrastructure	218,256	8.1%	235,935	200,577
Private equity	56,471	11.8%	63,135	49,807
Liquidity and money market funds	18,304	3.9%	19,018	17,590
Total	**2,005,750**		**2,156,482**	**1,855,019**

The potential changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisers' most recent review. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as shown in the table.

Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The fund's interest rate risk is routinely monitored by the pension fund and its investment advisers in accordance with the fund's risk management strategy including, monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

Fixed interest securities are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%:

Assets exposed to interest rate risks	Market value £000	Value on 1% rate increase £000	Value on 1% rate decrease £000
As at 31 March 2025	**230,093**	232,394	227,792
As at 31 March 2024	**153,080**	154,610	151,549

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. A strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits.

The fund's currency risk is routinely monitored by the pension fund and its investment advisers in accordance with the fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Overseas equities, fixed interest securities and futures, cash in foreign currencies and some elements of pooled investment vehicles are exposed to currency risk. The following table demonstrates the change in value of assets exposed to currency risk had there been a 5.4% strengthening or weakening of the pound against foreign currencies.

Assets exposed to currency risk	Value £000	Change %	Value on foreign exchange rate increase £000	Value on foreign exchange rate decrease £000
As at 31 March 2025	**374,901**	5.4%	395,146	354,656
As at 31 March 2024	**429,167**	5.6%	453,200	405,134

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities. The selection of high-quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Money market funds and the bank account have the highest credit ratings from a leading ratings agency and the fund has set limits on the maximum sum placed on deposit with individual financial institutions.

The table below shows the credit rating of the fund's money market and bank deposit holdings at 31 March 2025:

Fund/Account	Rating *	31 March 2025 £000	31 March 2024 £000
Money market funds			
BlackRock Institutional Sterling Liquidity Fund	AAAmmf	7,441	9,608
LGIM Sterling Liquidity Fund	AAAmmf	5,021	5,117
Northern Trust Sterling Liquidity Fund	AAAmmf	2,196	4
Bank deposit account			
NatWest Bank plc	A+	760	359
Total		**15,418**	**15,088**

* Long-term Fitch rating

Liquidity risk

This is the risk that the pension fund may not have the funds available to meet payments as they fall due. Historically the fund has been cash positive (i.e. contributions received have been greater than benefits paid out). However, in recent years this position has reversed with benefits paid now surpassing contributions received. The reduction in active members and a resulting change in the membership profile have increased the liquidity risk of the fund going forward.

The fund currently has two banking arrangements. One is the bank account held by the global custodian which holds cash relating to investment activities, the other is the pension fund linked bank current and deposit account arrangement which holds the cash relating to member activities.

There is a strategy in place to forecast all income and expenditure for the pension fund to ensure that sufficient funds will be made available to meet short-term commitments. In the event that there are insufficient available assets to meet liabilities when they fall due, the fund would be able to redeem investment assets and recall cash resources from investment managers at short notice to meet this requirement.

19. FUNDING ARRANGEMENTS

Statement of the Actuary for the year ended 31 March 2025

Introduction

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations').

The LGPS Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Southwark Pension Fund (the 'Fund') is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2022 by Aon, in accordance with Regulation 62 of the LGPS Regulations.

Actuarial Position

1. The valuation as at 31 March 2022 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2022 (of £2,125.4m) covering 109% of the liabilities.

2. The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 31 March 2023 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (including ill-health early retirements) will be made to the Fund by the employers.

   Total contributions payable by all employers over the three years to 31 March 2026 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£m)
2023	21.1	-
2024	20.3*	-
2025	20.3*	-

*The rates have been updated from those quoted in the 2022 valuation report to reflect the revision of the contribution rate payable from 1 April 2024 for the employer London Borough of Southwark and the employers grouped with London Borough of Southwark.

3. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution changes and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances. This included an agreement that where employers are in surplus, this has only led to an adjustment in contributions to the extent that this surplus is in excess of 10% of the value of that employer's liabilities (i.e. to the extent that the employer's funding level is greater than 110%).

4. The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount Rate	4.05% p.a.
Rate of pay increases	3.8% p.a.
Rate of increase to pension accounts*	2.3% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)*	2.3% p.a.

** In addition, a 10% uplift was applied to the past service liabilities to make allowance for short-term inflation above the long-term assumption.*

The assets were valued at market value.

5. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S3 'Heavy' mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for future improvements based on the 2021 Continuous Mortality Investigation Projections Model, with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.5	24.1
Future pensioners aged 45 at the valuation date	22.8	25.6

6. The valuation results summarised in paragraph 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 31 March 2023. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2022. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

   This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

   Aon does not accept any responsibility or liability to any party other than our client, the London Borough of Southwark, the Administering Authority of the Fund, in respect of this Statement.

9. The report on the actuarial valuation as at 31 March 2022 is available on the Fund's website at the following address: https://www.southwarkpensions.co.uk/media/o43hrk0o/actuarial-valuation-report.pdf

10. The valuation report refers to Aon's approach to some benefit uncertainties in the 2022 valuation which have since been resolved:
    - The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023 were laid on 8 September 2023 and came int effect from 1 October 2023. These regulations set out the McCloud remedy for the LGPS in England and Wales. The remedy is consistent with Aon's expectations and the approximate allowance made for McCloud liabilities in the 2022 valuation.
    - The Judicial Review relating to the 2016 cost management valuation and the 2020 cost management valuation process have bot been concluded and the outcome is that there are no resulting additional costs falling on the Fund (and ultimately employers). This outcome is in line with the approach taken in the 2022 valuation.

    Other benefit uncertainties remain as set out in the 2022 valuation report.

11. The Government Actuary's Department carries out a review of all LGPS pension fund valuations in England and Wales under Section 13 of the Public Service Pensions Act to ensure they are in compliance with the Regulations and to assess whether the valuations are being carried out in a not inconsistent way and in line with the aims of solvency and long-term cost efficiency.

    The review for the 2022 valuations was completed in August 2024 and the official summary report and the documents containing the statistics comparing the valuation results across funds are available from the following website: https://www.gov.uk/government/publications/lgps-ew-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2022. The London Borough of Southwark Pension Fund did not receive any "flags" in relation to the approach and outcomes of the 2022 valuation in the Section 13 review.

    In addition, all LGPS fund valuation reports and the LGPS Scheme Advisory Board's (SAB's) summary of the 2022 valuations can be found on the SAB's website at the following link: https://www.lgpsboard.org/index.php/fund-valuations-2022

20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

As required by *IAS 26 Accounting and Reporting by Retirement Benefit Plans*, in addition to the triennial valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities every year using assumptions in line with IAS 19 to provide an estimate of the actuarial present value of promised retirement benefits.

As an actuarial valuation has not been prepared at the date of these financial statements, the promised retirement benefits at 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation at 31 March 2022.

	31 March 2025 £m	31 March 2024 £m
Fair value of net assets	2,270	2,239
Actuarial present value of promised retirement benefits	(1,652)	(1,901)
Surplus/(deficit) in the fund as measured for IAS 26	**618**	**338**

These figures are prepared only for the purposes of providing the information required by IAS 26 and are not relevant to calculations undertaken for funding purposes.

Key assumptions used are:

	31 March 2025	31 March 2024
Discount rate	5.80% p.a.	4.80% p.a.
Pension increases	2.50% p.a.	2.60% p.a.
Salary increases	4.00% p.a.	4.10% p.a.

21. CURRENT ASSETS

The current assets of the fund are analysed as follows:

	31 March 2025 £000	31 March 2024 £000
Contributions due - employees	265	855
Contributions due - employers	1,250	1,320
Sundry debtors	113	918
Prepayments	-	11
Sub-total	**1,628**	**3,105**
Cash balances*	670	15,232
Total	**2,298**	**18,337**

* Prior to 2025, cash balances within fund managers' portfolios were reported in note 21 as part of current assets. These balances are now shown in note 14 investment assets.

22. CURRENT LIABILITIES

The current liabilities of the fund are analysed as follows:

	31 March 2025 £000	31 March 2024 £000
Benefits payable	(986)	(1,369)
Professional fees	(415)	(280)
Investment fees	(638)	(5,376)
Taxes	(954)	(797)
Other	(5)	(594)
Total	**(2,998)**	**(8,417)**

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Fund Manager	Contributions Paid 2024-25	Market Value 31 March 2025	Contributions Paid 2023-24	Market Value 31 March 2024
	£000	£000	£000	£000
Aegon UK	383	3,564	245	3,471
Total	**383**	**3,564**	**245**	**3,471**

24. AGENCY SERVICES

	2024-25	2023-24
	£000	£000
Payments made on behalf of the London Borough of Southwark	705	671
Total	**705**	**671**

The pension fund makes payment of discretionary added years pensions awarded to former employees of the London Borough of Southwark council on an agency basis. These payments are fully recovered from the council during the year.

25. RELATED PARTY TRANSACTIONS

The fund is administered by the London Borough of Southwark and the council is therefore a related party to the fund. The council recharged the fund £1.0m in 2024-25 (£0.9m in 2023-24) to recover costs incurred in the administration and governance of the fund during the year.

No officers' remuneration is paid directly by the fund; costs are instead recovered by council recharges which are disclosed within note 11 management expenses.

The council is also the single largest employer of members of the pension fund and contributed £40.2m in employer's contributions to the fund in 2024-25 (£37.8m in 2023-24).

The Pensions Advisory Panel (PAP) offers advice to the Strategic Director of Resources. Five members of the PAP are currently active members of the pension fund whilst one member is in receipt of pension benefits. Members of the PAP are required to make a declaration of interest at each meeting which is recorded in the minutes that are available on the council website.

The council, via the Pension Fund, is a shareholder in London LGPS CIV Limited (the organisation set up to run pooled LGPS investments in London) and the net assets statement includes unquoted shares at cost £150k.

25a. KEY MANAGEMENT PERSONNEL

The council's Strategic Director of Resources, the Chief Investment Officer and the Head of Pensions Operations are considered key management personnel as they hold key positions in the financial management of the pension fund alongside their responsibilities to the London Borough of Southwark. Their remuneration pro-rata to the time spent on pension fund matters is set out below:

Type of Benefit	2024-25 £000	2023-24 £000
Short term benefits	245	208
Post-employment benefits	18	14
Terminaton benefits	0	17
Total	**263**	**239**

26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2025 totalled £72.9m (31 March 2024: £102.5m).

These commitments relate to outstanding call payments due on property and infrastructure funds. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of each original commitment.

Glossary

ACCOUNTING STANDARDS
These are the 'proper accounting practices' that the council must follow. They comprise laws and regulations, which are set out in Acts of Parliament and in codes of practice recommended by professional bodies.

ACCRUAL
An accounting principle where income and expenditure is recognised as it is earned or spent rather than when money is received or paid. This concept is reflected in the accounts by the inclusion of debtors and creditors.

ACTUARIAL GAINS AND LOSSES
These arise where actual events have not coincided with the actuarial assumptions made for the last valuations or the actuarial assumptions have changed.

AMORTISED COST
A way of measuring financial instruments that ignores changes in fair value. Defined as the amount at which a financial instrument is measured when it is first brought onto the Balance Sheet, adjusted for:

· repayments of principal (minus), and
· cumulative amortisation of any difference between the initial amount and the maturity amount (using the effective interest method) (plus or minus).

These differences might arise (e.g.) from transaction costs being set off against the principal amount of a loan or interest being payable at less than market rates.

ASSET
An item having value to the council in monetary terms. Assets are categorised as either current or non-current:

· A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
· A non-current asset provides benefits to the council and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

BALANCES (OR RESERVES)
These represent accumulated funds available to the council. Some balances (reserves) may be earmarked for specific purposes for funding future initiatives or meeting identified risks or liabilities. There are a number of unusable reserves which are established for technical purposes, it is not possible to utilise these to provide services.

BUDGET
A forecast of the council's planned expenditure and income, either over a set period or for a specific project.

CAPITAL ADJUSTMENT ACCOUNT
An account recording financing and disposals transactions relating to capital expenditure. This account is not available for general use to fund capital expenditure.

CARRYING AMOUNT
Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

CASH EQUIVALENTS
Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CAPITAL EXPENDITURE
Expenditure on the purchase, construction and enhancement of council assets such as houses, offices, schools and roads. Expenditure can only be treated as 'capital' if it meets the statutory definitions and is in accordance with accounting practice and regulations.

CAPITAL FINANCING
Capital financing is the process which occurs after capital expenditure has been incurred. There are a number of different sources of capital funding such as government capital / revenue grants, non-government grants, contributions from private developers, capital receipts and unsupported borrowing. Various funding sources are applied to capital spend to ensure that a project is fully financed from approved finance sources.

CAPITAL FINANCING REQUIREMENT (CFR)
The authority's total liabilities in respect of capital expenditure financed by credit less the provision made to meet these liabilities.

CAPITALISATION
Costs are capitalised to the extent that they create or improve any fixed asset with a useful economic life greater than one year.

CIPFA
The Chartered Institute of Public Finance and Accountancy is the accountancy body which represents at national level the interests of local government and public service finance. The Institute produces advice, codes of practice and guidance to local authorities on best practice.

CAPITAL RECEIPTS
Income received from the sale of land, buildings and other capital assets. These can be used to finance new capital expenditure within rules and limits set by the government, but they cannot be used to finance day to day spending.

COLLECTION FUND
This is a statutory account, which records income and expenditure on council tax, National Non Domestic Rates and the sums paid to precepting authorities.

COMMUNITY ASSETS
Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks and historic buildings.

CONTINGENT ASSET
A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control.

CONTINGENT LIABILITY
A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control; or
A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CONTRACT ASSET
An asset arising from a contract for the purchase of goods and/or services from the council, where the council has met some of its performance obligations but is not yet entitled unconditionally to receive payment.

CONTRACT LIABILITY
A liability arising from a contract for the purchase of goods and/or services from the council, where the council has received payment but has yet to meet the performance obligations relating to that payment.

COUNCIL TAX
The main source of local taxation to local authorities. It is levied on households within the council's area and the proceeds are paid into the Collection Fund for distribution to precepting authorities and to the council's own General Fund.

CREDIT LOSSES
A measure of how much the council would lose if the amounts owed to it by debtors and borrowers are not repaid. Defined as the shortfall between all the cash flows that are due contractually to the council under a financial asset and those that it actually expects to receive (discounted using the investment's effective interest rate).

CREDITORS
Amounts owed by the council for goods and services received but not paid for as at 31 March.

CURRENT SERVICE COST
An estimate of the true economic cost of employing people in a financial year.

DEBTORS
Amounts owed to the council for goods and services provided but where the associated income was not received as at 31 March.

DEFERRED CAPITAL RECEIPTS
These represent capital income still to be received after disposals have taken place and wholly consist of principal outstanding from the sale of council houses.

DEFINED BENEFIT SHEME
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

DEFINED CONTRIBUTION SCHEME
A pension or other retirement benefit scheme into which an employer pays regular fixed contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to the employee service in the current and prior periods.

DEPRECIATION
A measure of the cost of the economic benefits of the tangible non-current assets consumed during the period.

EARMARKED RESERVES
These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

EXPECTED CREDIT LOSSES
Weighted average of credit losses with the respective risks of a default occurring as the weights.

EVENTS AFTER THE BALANCE SHEET DATE
Events after the Balance Sheet date are those events, favourable or unfavourable.

FAIR VALUE
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME FINANCIAL ASSETS
Investments for which gains and losses in fair value are recognised on the Balance Sheet but do not impact on the council's income as they arise but only when the investment matures or is sold. Defined as financial assets:
· held within a business model whose objective is achieved by both collecting contractual cash flows and selling investments, and
· which have the form of a basic lending arrangement (ie, contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding).

FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS
Defined as financial assets that do not qualify for measurement at amortised cost or fair value through other comprehensive income.

FINANCE AND OPERATING LEASES
A finance lease is one that transfers a substantial proportion of the risks and rewards of a fixed asset to the lessee. With a finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset. For an operating lease a rental payment is payable to the lessor for the use of the asset and the ownership reverts to the owner when the lease is terminated.

FINANCIAL ASSET
A financial asset is any asset that is:
a) cash
b) an equity instrument of another entity
c) a contractual right:
  i) to receive cash or another financial asset from another entity, or
  ii) to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the authority
d) a contract that will or may be settled in the entity's own equity instruments and is:
  i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or
  ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Note: in practice d) is not applicable to local authorities as they do not issue equity instruments. However, it may apply to an authority's group accounts.

FINANCIAL INSTRUMENT
A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT
The adjustment account is used to equalise the impact of financial reporting standards for financial instruments on council tax over the life of financial instruments concerned.

GENERAL FUND
This is the main revenue account of the council and includes the net cost of all services (except council housing) financed by local taxpayers and government grants.

HOUSING REVENUE ACCOUNT (HRA)
This is a statutory account that shows all income and expenditure relating to the provision, management and maintenance of the council's housing stock. Under the Local Government and Housing Act 1989, this account is kept separate from the General Fund and the account must balance. The council is not allowed to make up any deficit in the HRA from the General Fund.

IAS19 EMPLOYEE BENEFITS
International Accounting Standard 19 is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

IMPAIRMENT
A reduction in the value of a non-current asset, greater than normal depreciation, through economic consumption or through a fall in price.

INFRASTRUCTURE ASSETS
A classification of non-current assets, whose life is of indefinite length and which are not usually capable of being sold, e.g. highways, street lighting and footpaths.

INTANGIBLE ASSETS
Non-financial assets that do not have physical substance but are identifiable and are controlled by the council, for example, purchased software licences, patents and trademarks.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
The accounting standards adopted by the International Accounting Standards Board (IASB). Local Authorities are required to produce full accounts using IFRS.

INVESTMENT PROPERTIES
Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential, with any rental income being negotiated at arm's length.

LEASE
A contract under which a lessor conveys the right to use an asset to a lessee for a period of time. The definition can include arrangements that are not leases in the legal sense.

LEASE LIABILITIES
The amounts recognised in the Balance Sheet for the payments the Council is due to make as lessee under finance leases.

LEASE RECEIVABLES
The amounts recognised in the Balance Sheet for the payments the Council is due to receive as lessor under finance leases.

LEVIES
Payments to levying bodies such as the London Pension Fund Authority, Lee Valley Park Authority and Environment agency. The cost of these bodies is borne by local authorities in the area concerned, based on their council tax base and is met from the General Fund.

LOSS ALLOWANCE
An allowance made by setting funds aside to cover the expected credit losses calculated for a financial asset.

MINIMUM REVENUE PROVISION (MRP)
The minimum amount which must be charged to the revenue account each year and set aside as provision for credit liabilities, as required by the Local Government Act 2003.

NON DOMESTIC RATES (NDR)
The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the council on behalf of itself, the greater London Authority (GLA) and central government.

NET BOOK VALUE
The amount at which non-current assets are include in the balance sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.

NET REALISABLE VALUE
The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NON OPERATIONAL ASSETS
Non-current assets held by the council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASES
See finance and operating leases.

OPERATIONAL ASSETS
Non-current assets held, occupied, used or consumed by the council in the direct delivery of its services.

PERFORMANCE OBLIGATION
A promise in a contract with a service recipient for the council to deliver goods and/or services.

PRIVATE FINANCE INITIATIVE (PFI)
A government initiative that enables authorities to carry out capital projects through partnership with the private sector.

PRECEPT
These are demands made upon the Collection Fund, by the Greater London Authority (GLA), for monies which it requires to finance the services it provides.

PROVISIONS
Amounts set aside for liabilities and losses which are likely to occur but where the exact amount or timing is uncertain.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure that is not related to the council's non-current assets but statutory regulations allow the cost to be funded from capital resources. The expenditure is recorded in the Comprehensive Income and Expenditure Statement as it arises.

RELATED PARTIES
Two or more parties are related parties when at any time during the financial period:
· one party has direct or indirect control of the other party; or
· the parties are subject to common control from the same source; or
· one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
· the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.
· the parties, or any member of a group of which it is a part, provides key management personnel services to the other, or to the parent of the other, reporting entity.

RELATED PARTY TRANSATION
A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made.

REVENUE EXPENDITURE
Day to day payments on the running of council services such as salaries and wages, operating costs and charges for the use of assets.

REVENUE SUPPORT GRANT (RSG)
A grant paid by central government in aid of local authority services in general as opposed to specific grants that may only be used for specific purposes.

RIGHT OF USE ASSET
An asset representing the lessee's right to use the leased asset for the lease term.

SERVICE RECIPIENT
A person or an organisation that has contracted with the council (as part of the council's normal business) to obtain goods and/or services in return for payment (or in exchange of goods/services to the council).

TRANSACTION PRICE
The amount the council expects to be entitled to under contract in exchange for transferring promised goods and/or services to a service recipient.

USEFUL LIFE
The period over which the council will derive benefits from the use of a fixed asset.

WRITE-OFFS
Income is recorded in the council's accounts on the basis of amounts due. When money owing to the council cannot be collected the income is already showing in the accounts and has to be reduced or written off.

Southwark Council

(Letterhead of the Entity we audit)

KPMG LLP
15 Canada Square
London
E14 5GL

[Date]

Dear Fleur

This representation letter is provided in connection with your audit of the financial statements of Southwark Council ("the Authority"), for the year ended 31 March 2025, for the purpose of expressing an opinion:

i. as to whether these give a true and fair view of the financial position of the Authority as at 31 March 2025 and of the Authority's income and expenditure for the year then ended;
ii. whether the Authority's financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 ("CIPFA/LASAAC Code").

These financial statements comprise the following: the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Statement of Cash Flows, Housing Revenue Account, Collection Fund and the notes, comprising material accounting policies and other explanatory information and the Expenditure and Funding Analysis.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2024, for the preparation of financial statements that:

    i. give a true and fair view of the financial position of the Authority as at 31 March 2025 and of the Authority's income and expenditure for the year then ended;
    ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

    The financial statements have been prepared on a going concern basis.

2. The methods, the data and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Authority has provided you with:

- access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
- additional information that you have requested from the Authority for the purpose of the audit; and
- unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

9. The Authority has disclosed to you all information in relation to:

a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
   - management;
   - members;
   - employees who have significant roles in internal control; or
   - others where the fraud could have a material effect on the financial statements; and

b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, members, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe we have appropriately fulfilled those responsibilities.

10. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

11. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

12. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures.*

    Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

13. The Authority confirms that:

    a) The financial statements disclose all of the matters that are relevant to the Authority's ability to continue as a going concern, including the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view and to comply with IAS 1 *Presentation of Financial Statements*.
    b) No material uncertainties related to events or conditions exist that may cast significant doubt upon the ability of the Authority to continue as a going concern.

14. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 Employee Benefits.

    The Authority further confirms that:

    a) all significant retirement benefits, including any arrangements that are:
       - statutory, contractual or implicit in the employer's actions;
       - arise in the UK and the Republic of Ireland or overseas;
       - funded or unfunded; and
       - approved or unapproved,

       have been identified and properly accounted for; and
    b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit and Governance Committee on *[date]*.

Yours faithfully,
[Section 151 Officer]

<u>Appendix to the Authority Representation Letter of Southwark Council: Definitions</u>

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

A housing authority must present a Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;

b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
c) dissimilar items, transactions or other events are inappropriately aggregated;
d) similar items, transactions or other events are inappropriately disaggregated; and
e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- A person or a close member of that person's family is related to a reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity; or
  - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to a reporting entity if any of the following conditions applies:
  - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - Both entities are joint ventures of the same third party.
  - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - The entity is controlled, or jointly controlled by a person identified in (a).
  - A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a government that has control or joint control of, or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Attachment – Summary of uncorrected audit misstatements

These will be provided, if any, at the conclusion of the audit.
If there are none, this attachment and representation 4 should be deleted.

(Letterhead of the Entity we audit)

KPMG LLP
15 Canada Square
London
E14 5GL

Date: XX November 2025

Dear Fleur,

This representation letter is provided in connection with your audit of the Pension Fund financial statements of London Borough of Southwark Pension Fund ("the Pension Fund"), for the year ended 31 March 2025, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of its assets and liabilities; and
ii. whether the Pension Fund's financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 ("CIPFA/LASAAC Code").

These financial statements comprise the following: the Fund account, the Net Assets Statement and the related notes to the Pension Fund financial statements, comprising material accounting policies and other explanatory information.

The Pension Fund confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Pension Fund confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Pension Fund has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2024, for the preparation of financial statements that:

   i. give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of its assets and liabilities
   ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

   The financial statements have been prepared on a going concern basis.

2. The methods, the data and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Pension Fund has provided you with:
    a. access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
    b. additional information that you have requested from the Pension Fund for the purpose of the audit; and
    c. unrestricted access to persons within the Pension Fund from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Pension Fund confirms the following:

    a. The Pension Fund has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.
    b. Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

9. The Pension Fund has disclosed to you all information in relation to:

    a. Fraud or suspected fraud that it is aware of and that affects the Pension Fund and involves:
        - management.
        - members;
        - employees who have significant roles in internal control; or
        - others where the fraud could have a material effect on the financial statements; and
    b. allegations of fraud, or suspected fraud, affecting the Pension Fund's financial statements communicated by employees, former employees, members, analysts, regulators or others.,

In respect of the above, the Pension Fund acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Pension Fund acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe we have appropriately fulfilled those responsibilities.

10. The Pension Fund has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

11. The Pension Fund has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

12. The Pension Fund has disclosed to you the identity of the Pension Fund's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*

    Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

13. The Pension Fund confirms that:

    a. The financial statements disclose all of the matters that are relevant to the Pension Fund's ability to continue as a going concern, including the key risk factors, assumptions made and uncertainties surrounding the Pension Fund's ability to continue as a going concern as required to provide a true and fair view and to comply with IAS 1 *Presentation of Financial Statements*.
    b. No material uncertainties related to events or conditions exist that may cast significant doubt upon the ability of the Pension Fund to continue as a going concern.

14. On the basis of the process established by the Pension Fund and having made appropriate enquiries, the Pension Fund is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 26 Accounting and Reporting by Retirement Benefit Plans.

The Pension Fund further confirms that:

a. All significant retirement benefits, including any arrangements that are:
    I. statutory, contractual or implicit in the employer's actions;
    II. aris in the UK and the Republic of Ireland or overseas;
    III. funded or unfunded; and
    IV. approved or unapproved,

Have been identified and properly accounted for; and

b. All plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit, Governance and Standards Committee on XX November 2025.

Yours faithfully,

Clive Palfreyman
Section 151 Officer and Strategic Director of Resources

List of uncorrected misstatements

Uncorrected audit differences (£'m)				
No.	**Detail**	**Fund account (Dr/Cr)**	**Net Asset Statement (Dr/Cr)**	**Comments**
1	Dr Change in market value	£1.6m	-	Latest available value for pooled property was taken at the time of preparing the financial statements. However, it was the lagged valuation. While performing the audit, KPMG was able to confirm the valuation as at 31 March 2025 by obtaining an independent confirmation from fund manager and noted variance between the management's valuation and latest NAV.
	Cr Pooled Property (L3 pooled funds)	-	(£1.6m)	
Total		£1.6m	(£1.6m)	

<u>Appendix to the Pension Fund Representation Letter of London Borough of Southwark Pension Fund: Definitions</u>

Financial Statements

A complete set of financial statements comprises:

- The Fund Account;
- The Net Asset Statement;
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
c) dissimilar items, transactions or other events are inappropriately aggregated;
d) similar items, transactions or other events are inappropriately disaggregated; and
e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- A person or a close member of that person's family is related to a reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity; or
  - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

- An entity is related to a reporting entity if any of the following conditions applies:
  - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - Both entities are joint ventures of the same third party.
  - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - The entity is controlled, or jointly controlled by a person identified in (a).
  - A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a government that has control or joint control of, or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Agenda Item 8

Meeting Name:	Audit, Governance and Standards committee
Date:	19 November 2025
Report title:	External Auditor's (KPMG) reports for 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:

   a. Consider the matters raised in KPMG's Year End Report (ISA260) for the council's core financial statements 2024-25 (Appendix A) before approval of the council's accounts

   b. Consider the matters raised in KPMG's Auditor's Annual Report (Appendix B)

   c. Consider the matters raised in the KPMG's Year End Report (ISA260) for the Pension Fund 2024-25 (Appendix C).

BACKGROUND INFORMATION

2. As the council's appointed external auditor, KPMG is required under the statutory Code of Audit Practice for Local Government Bodies to issue reports to those charged with governance summarising the conclusions of their audit work. The Audit, Governance and Standards committee (AGS) is the council's constitutional body for receiving these reports and needs to consider them before it can approve the council's statement of accounts.

3. Separate audits are conducted for the main Council accounts and the Pension Fund accounts and are reported on separately.

4. The auditor is required by professional auditing standards to report to the committee certain matters before giving their opinion on the financial statements.

5. In addition to reporting on the financial statements, the auditor reports any circumstances where they suspect or detect fraud and on whether, in their view, the council has made proper arrangements for achieving economy, efficiency and effectiveness in its use of resources.

6. All three reports will be presented by KPMG and the members will have opportunity to ask any questions.

KEY ISSUES FOR CONSIDERATION

7. **Year-end report for the Council and the Pension Fund**- The Audit Report includes agreed adjustments to the accounts, findings concerning controls and procedures relating to the council's finances and IT infrastructure and presents the opinion that will be issued for inclusion in the final Statement of Accounts.

8. During the past year, officers have undertaken substantial work to implement audit recommendations from prior years and to enhance the overall quality of working papers, thereby facilitating a smoother audit process. As a result, 11 out of the 15 recommendations have been successfully implemented. Of the remaining four, two relate to system improvements and will be addressed upon the implementation of the new SAP system, while the final outstanding recommendation is scheduled to be resolved as part of the 2025–26 year-end closure.

9. **Auditor's Annual Report** – A detailed assessment of the Council's Value for Money arrangements is provided in Appendix B of the report. The external auditor has identified four performance improvement observations in the current year, compared to nine in the prior year. Of the nine observations raised previously:

    a. Five have been implemented/closed,
    b. Three are scheduled for implementation during 2025/26, and
    c. One remains work in progress.

10. Additionally, the auditor has received an objection which is currently under review. As a result, the auditor is unable to issue a final Value for Money conclusion at this stage.

Policy framework implications

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

Community impact statement

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Financial implications

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

Legal Implications

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

Consultation

19. Consultation on the draft statement of accounts is carried out through formal public inspection. The accounts were open for public inspection from 30 June to 8 August 2025.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

20. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Department of Resources files	Resources Department, Second Floor, Tooley Street	Hasina Shah Hasina.shah@southwark.gov.uk

APPENDICES

No.	Title
Appendix A	KPMG Year End Audit Report for Southwark Council 2024-25
Appendix B	KPMG Annual Audit Report for Southwark Council 2024-25
Appendix C	KPMG Year End Audit Report for Southwark Council Pension Fund 2024-25

AUDIT TRAIL

<table>
<tr><td>Lead Officer</td><td colspan="2">Clive Palfreyman, Strategic Director of Resources</td></tr>
<tr><td>Report Author</td><td colspan="2">Hasina Shah, Interim Chief Accountant</td></tr>
<tr><td>Version</td><td colspan="2">Final</td></tr>
<tr><td>Dated</td><td colspan="2">10 November 2025</td></tr>
<tr><td>Key Decision?</td><td colspan="2">No</td></tr>
<tr><td colspan="3">CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</td></tr>
<tr><td>Officer Title</td><td>Comments Sought</td><td>Comments Included</td></tr>
<tr><td>Assistant Chief Executive, Governance and Assurance</td><td>No</td><td>N/A</td></tr>
<tr><td>Strategic Director, Resources</td><td>Yes</td><td>N/A</td></tr>
<tr><td>Cabinet Member</td><td>N/A</td><td>N/A</td></tr>
<tr><td colspan="2">Date final report sent to Constitutional Team</td><td>10 November 2025</td></tr>
</table>

Southwark Council

DRAFT Report to the Audit, Governance and Standards Committee

DRAFT Year end report for the year ending 31 March 2025

—

19 November 2025

DRAFT

Introduction

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

We are pleased to have the opportunity to meet with you on 19 November 2025 to discuss the results of our audit of the financial statements of Southwark Council (the 'Council'), as at and for the year ended 31 March 2025.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our indicative audit plan and strategy report, presented on 2 June 2025. We will be pleased to elaborate on the matters covered in this report when we meet.

How we deliver audit quality

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

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

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

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

Subject to the approval of the statement of accounts, we expect to be in a position to sign our audit opinion on the approval of those statement of accounts and auditor's representation letter before the backstop date, provided that the outstanding matters noted on page 4 of this report are satisfactorily resolved.

There have been no significant changes to our audit plan and strategy since our indicative plan and strategy report dated 2 June 2025, other than as set out on page 5.

We expect to issue an unmodified Auditor's Report. However, we will be unable to issue our Audit Completion Certificate until work in respect of an objection received has been completed, and the NAO has completed their work over the Whole of Government Accounts.

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

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

Yours sincerely,

Fleur Nieboer

19 November 2025

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Fleur Nieboer (fleur.nieboer@kpmg.co.uk), the engagement lead to the Council, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler. (tim.culter@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access KPMG's complaints process here: Complaints.

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Important notice

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

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

Purpose of this report

This Report has been prepared in connection with our audit of the consolidated financial statements of Southwark Council (the 'Council/Authority'), prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, as at and for the year ended 31 March 2025.

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

Limitations on work performed

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

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

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

Status of our audit

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 4 'Our Audit Findings' outlines the outstanding matters in relation to the audit. Our conclusions will be discussed with you before our audit report is signed.

Restrictions on distribution

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

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Our audit findings

Significant audit risks		Pages 7 – 13
Risk	**Risk change**	**Our findings**
Valuation of council dwellings	No change	We identified a corrected factual £29m understatement of the valuation due to an error in the application of the valuation judgements and improvement opportunities for controls and processes. See below for judgements.
Management override of controls	No change	We have not identified any instances of management override of controls in our work.
Valuation of post retirement benefit obligations	No change	The results of our testing were satisfactory. We have not identified any issues in relation to the significant assumptions used within the valuation of the LGPS gross pension liability.

Key accounting estimates		Pages 16 – 17
Fair value of council dwellings	Balanced	We assessed as reasonable the assumptions underpinning the valuation.
Fair value of land and buildings	Balanced	We assessed as reasonable the assumptions underpinning the valuation.
Fair value of investment property	Cautious	We assessed as cautious the assumptions underpinning the valuation.
Present value of defined benefit (DB) obligations	Optimistic	We assessed as optimistic the assumptions underpinning the valuation, however overall the assumptions were within our acceptable range.
Fair value of DB plan assets including asset ceiling	Balanced	We assessed as reasonable the assumptions underpinning the valuation.

Uncorrected audit misstatements		Page 19
Understatement/ (overstatement)	**£'000s**	**%**
Revenues	-	-
Surplus for the year	9.0	266.6
Total assets	-	-
Total reserves	9.0	0.2

Uncorrected misstatements in respect of disclosures	Page 19
Disclosure	**Our findings**
None	

Number of control deficiencies	Page 18
Significant control deficiencies	1
Other control deficiencies	3
Prior year control deficiencies remediated	11

Outstanding matters

Our audit is substantially complete except for the following outstanding matters:

- Resolution of final audit queries in relation to receivables (2 queries), utility accrual further testing and batch accrual posting journals;
- Verification of data inputs into investment property valuations (1 sample);
- Testing of consolidation of schools;
- Testing of adjustments between accounting and funding basis;
- Work in respect of objection;
- Final review of audit work; and
- Finalisation of audit file.

An element of the objection received prevents us from reaching our final value for money conclusions. Consequently our value for money conclusions may vary from those reported in this document when we issue our Audit Completion Certificate, anticipated in early 2026.

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Changes to our audit plan

We have not made any changes to our audit plan as communicated to you on 2 June 2025, other than as follows:

Risk	Effect on audit strategy	Effect on audit plan
Transition to IFRS 16	We no longer consider this to be an other audit risk, as was set out in our plan dated 2 June 2025. This is because, having performed a detailed risk assessment and evaluation of the Council's approach to transitioning to IFRS 16, we concluded that the risk of a material misstatement was remote.	• As we removed the risk from our audit strategy, a detailed response in respect of transitioning to IFRS 16 was no longer required. • In reaching our final assessment we considered the Council's approach to identifying a complete population of leases (including leases embedded into other forms of contracts); setting discount rates in lease calculations; and identification of lease terms. We considered the Council's approach to these matters indicating there was no realistic risk of a material error arising.

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Significant and higher assessed audit risks

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

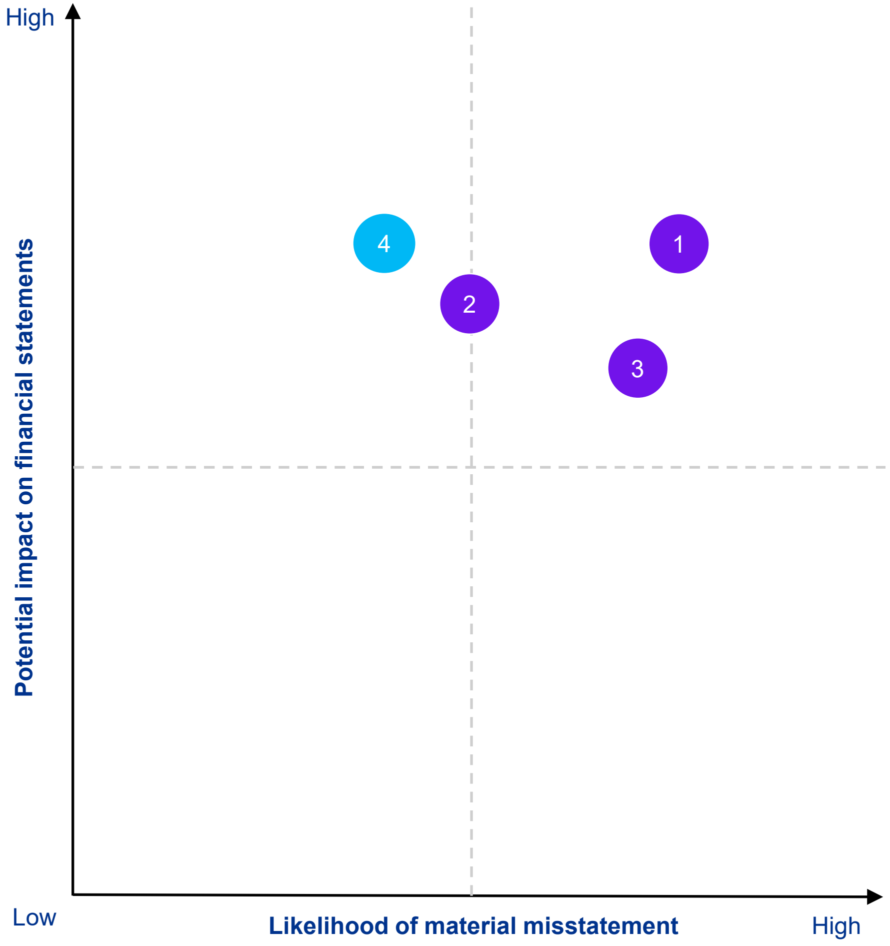
Our risk assessment draws upon our historic knowledge of the business, the industry and the wider economic environment in which Southwark Council operates.

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

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

Significant audit risks	
1.	Valuation of council dwellings
2.	Management override of controls
3.	Valuation of post retirement benefit obligations

Higher assessed audit risks	
4.	Valuation of investment property



Key: # Significant financial statement audit risks # Higher assessed / other audit risks

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Audit risks and our audit approach

1 Valuation of Council Dwellings

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

Cautious | Neutral | Optimistic

Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council is re-valuing all its dwellings this year. The value of the dwellings at 31/3/25 was £3.6bn.

A risk is presented for those assets that are revalued in the year, which involve significant judgement and estimation made by the engaged valuer on the Council's behalf. This is on account of the judgement involved in the selection of assumptions including but not limited to identification of comparative properties when valuing individual beacons.

In the prior period we identified that this estimate was cautious on account of contradictory evidence we identified for one beacon sampled. This was compounded by the large number of properties in that beacon as compared to other beacons within the valuation meaning the range of potential valuation errors was very wide.

Continued overleaf…

Our response

We performed the following procedures designed to specifically address the significant audit risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of Cluttons, the valuers used in developing the valuation of the Council's properties at 31 March 2025;
- We evaluated the design and implementation of controls in place for management to review the validity and outcome of the valuation reached, and to ensure that beacon and sub-beacon groups had been appropriately defined;
- We assessed the validity of the beacon and sub-beacon groups defined by, for a sample of such groups, assessing whether the properties within the groups are homogenous in nature;
- We challenged the appropriateness of the valuation of dwellings on a sample basis with reference to available market data for comparable assets in a similar location;
- We used our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology and assumptions utilised; and
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Key:
Prior year Current year

Audit risks and our audit approach

1 Valuation of Council Dwellings

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

Cautious Neutral Optimistic

Significant audit risk (cont.)

Continued from previous page…

Our identification of this risk reflects that the Council Dwellings make up the largest part of the land and buildings balance, and the valuation approach used means that should an error in valuing a small number of beacons arise, it can have a significant impact on the valuation as a whole.

Our findings

- We were satisfied with the independence, objectivity and expertise of Cluttons. This is the second year that Cluttons have valued the Council's estate and has benefitted from greater familiarity and knowledge of the nature of the Council's assets.
- Consistent with last year, we identified weaknesses in the Council's controls to review the asset valuations and ensure they were prepared using an appropriate methodology. In particular, in selecting our sample for detailed testing Cluttons identified a typographical error in the valuation of one beacon. When extrapolated across the beacon group, a factual £29m understatement of the value of dwellings was identified. This error could have been avoided through a more rigorous review and assessment of the valuations prior to recording within the financial statements. We note that the valuations were received close to the publication date of the accounts which would have reduced the time available for review. We further note this error was not due to valuer judgement or estimation uncertainty.
- Government guidance is that beacon groups should typically contain a maximum of 600 properties to ensure that beacons accurately reflect homogenous groups of geographically close properties. Southwark has nine beacons with over 600 properties, of which the largest contains 2,244. There are 263 beacons in total. There is a risk that these larger beacons may not accurately represent the estate being valued. However, we acknowledge that Southwark has a very large estate and therefore there may be valid grounds for large beacons. Our investigation found that the larger beacons are generally tightly geographically defined and are therefore acceptable. The exception was the 2,244 beacon which was spread over a large area. Cluttons' value for this beacon appropriately reflected the geographic spread of assets and so we considered the valuation to be reasonable. This indicates that the Council may wish to break up these beacons into smaller homogenous units.

Key:
Prior year Current year

Audit risks and our audit approach

1 Valuation of Council Dwellings

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

Cautious Neutral Optimistic

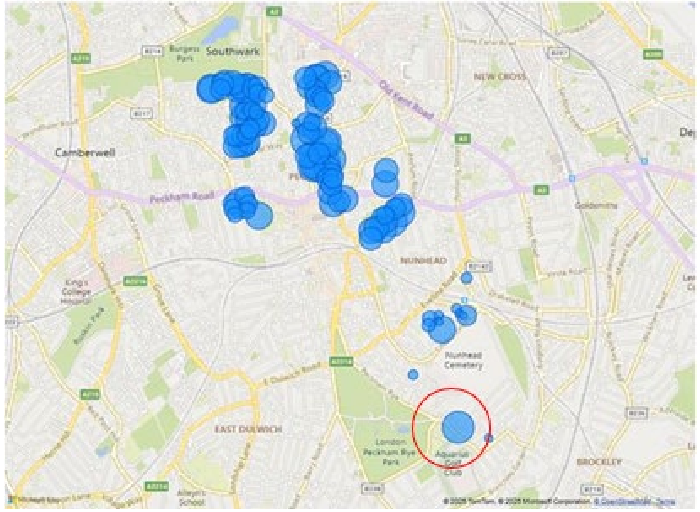
Our findings (cont.)

- For the sample of beacons we picked, we were satisfied with the appropriateness of the methodology and assumptions utilised, including the identification of comparable valuations and judgements applied to reflect asset quality. We considered the valuation to be neutral overall.
- We considered the disclosures made in respect of the valuation to require improvement. The Code, and IFRS more broadly, requires the disclosure of the key subjective assumptions underpinning an estimate and sensitivity disclosures in respect of those assumptions. The Council correctly reflected the valuation of dwellings as a key source of estimation uncertainty however did not set out the detail of the specific assumptions causing uncertainty or sensitivities inherent to them. The Council later enhanced its disclosures by including these details.

Conclusion

We note that there are improvements required to the way the estimate is reviewed prior to recording; to how beacon groups are established; and to how disclosures are made (since made). We also identified a £29m understatement of the valuation which has been corrected. Notwithstanding this, we are satisfied that we have obtained sufficient appropriate audit evidence to address this risk and that the estimate, overall, is balanced.

To further illustrate the finding regarding beacon grouping, we have set out the spread of properties in the largest beacon referred to on the previous page. A large geographic spread of properties can be seen. A property in the highlighted location is the beacon used as a proxy for the valuation of all the properties in the group. This location is a long distance away from the locations of the bulk of the properties within the beacon group.



Key:
Prior year Current year

Audit risks and our audit approach

2 Management override of controls

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

Significant audit risk

Professional standards require us to communicate the fraud risk from management override of controls as significant.

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We have also identified weaknesses in the control environment for journal entries, including over-privileged user access to the Council's general ledger system.

In our audit plan we said we would assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual. We did not perform this procedure as we found no transactions which met this definition.

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

Our response

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

- Assessed accounting estimates for bias by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;
- Evaluated the selection and application of accounting policies;
- Evaluated the design and implementation of controls over journal entries and post closing adjustments;
- Evaluated the design and implementation of controls in place for the identification of related party relationships;
- Tested the completeness of the related parties identified and ensure any transactions arising with those parties are appropriately disclosed within the financial statements;
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates; and
- Analysed all journals through the year using data and analytics and focused our testing on those with a higher risk, such as journals which transfer expenditure out of the Housing Revenue Account and into the General Fund.

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Audit risks and our audit approach

2 Management override of controls

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

Significant audit risk

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Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

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In our audit plan we said we would assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual. We did not perform this procedure as we found no transactions which met this definition.

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

Our findings

- For our view on accounting estimates, see pages 16 – 17.
- We have considered the Council's accounting policies in the round. We have not identified any indication of management bias or inappropriate accounting policies.
- We identified a weakness in journal entries because there are routes by which journal entries can be posted without authorisation or segregation of duties. This is typical of many large organisations and the Council is satisfied it has adequate mitigations for the risks posed. As this finding is common for many authorities, we have not had to vary our audit approach as we assume that controls are ineffective.
- We have not identified any findings regarding the nature and accounting of related party transactions.
- Our testing of high-risk journal entries identified 22 journal entries which met our high-risk criteria. Based on our work to date we did not identify any inappropriate journal entries, however our findings may change as our work concludes.

Conclusion

To date we have not identified any instances of management overriding internal controls. We will update our findings upon the completion of our work.

Audit risks and our audit approach

3 Valuation of post retirement benefit obligations

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

Cautious Neutral Optimistic

Significant audit risk

The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.

In addition, the Council's pension memberships are in a net surplus position, leading to judgements being required as to the quantum of any asset ceiling which should be calculated, and hence whether an asset should be recognised on the balance sheet

The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year-on-year movements.

Continued overleaf…

Key:
Prior year Current year

Our response

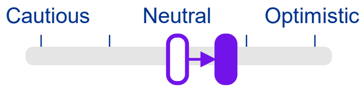
We performed the following procedures:

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

Audit risks and our audit approach

3 Valuation of post retirement benefit obligations

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



Significant audit risk

Continued from previous page…

We have identified this in relation to the Southwark Local Government Pension Scheme. We have not identified the risk in relation to the London Pension Fund Authority liability as its size is small compared to materiality.

In our audit plan we said we would "Assess the impact of a new triennial valuation model and/or any special events, where applicable". We have not performed this procedure as there was no new triennial valuation model or special events during this financial year.

Key:
Prior year Current year

Our findings

- Actuarial assumptions are assessed by management for appropriateness. However, the review was not performed on a sufficiently detailed or documented basis to allow us to rely on the control. Consequently we concluded that controls in place to review the valuation were ineffective, consistent with the prior period. We note the review is considered adequate by management for their own purposes.
- We were satisfied with the independence, objectivity and expertise of the scheme actuary.
- We considered that the assumptions used in valuing the defined benefit obligation and concluded overall to be optimistic compared to our central actuarial benchmarks but within reasonable range.
- The allowance for future improvement has been updated from the CMI 2022 model to the CMI 2023 model to reflect the latest available industry data. The long-term improvement rate has been updated from 1.5% to 1.25% to reflect increased pessimism in the actuary's long-term view on improvements in mortality, partially due to Covid-19. We consider these changes in assumptions to be reasonable.
- The net pension surplus has been restricted to £nil on the basis of estimated future service costs less the estimated minimum funding contributions meaning the surplus is not recoverable. We agree with the basis for restricting the surplus.
- Our work in respect of disclosures is underway and we will report verbally on our findings.

Conclusion

We note the overall liability to be optimistic but within an acceptable range. Notwithstanding this we are satisfied that we have obtained sufficient appropriate audit evidence to address this risk.

Audit risks and our audit approach

4 Valuation of investment properties

Risk of error related to the incorrect valuation of investment properties

Cautious | Neutral | Optimistic

Higher assessed audit risk

The Council's investment property portfolio of £303m (as at 31 March 2025) includes a number of commercial rent units, including a large real estate scheme near the Council's offices in London Bridge.

Under the Code these are considered 'Investment Properties' due to the intention of maximising rental values or capital appreciation. The standard requires this class of assets to be valued at each year end.

The valuation is subject to movements based on current market conditions which contain a heightened degree of uncertainty, in particular for commercial offices.

Also, dependent on the type of valuation undertaken, there are a number of assumptions used in the valuation of the assets which are subjective, and could impact the overall valuation at the year end and movement during the year.

Our response

We performed the following procedures:

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

Key:
Prior year Current year

Audit risks and our audit approach

4 Valuation of investment properties

Risk of error related to the incorrect valuation of investment properties

Cautious Neutral Optimistic

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Higher assessed audit risk

The Council's investment property portfolio of £303m (as at 31 March 2025) includes a number of commercial rent units, including a large real estate scheme near the Council's offices in London Bridge.

Under the Code these are considered 'Investment Properties' due to the intention of maximising rental values or capital appreciation. The standard requires this class of assets to be valued at each year end.

The valuation is subject to movements based on current market conditions which contain a heightened degree of uncertainty, in particular for commercial offices.

Also, dependent on the type of valuation undertaken, there are a number of assumptions used in the valuation of the assets which are subjective, and could impact the overall valuation at the year end and movement during the year.

Our findings

- We were satisfied with the independence, objectivity and expertise of Cluttons. This is the second year that Cluttons have valued the Council's estate and has benefitted from greater familiarity and knowledge of the nature of the Council's assets.
- We were broadly satisfied with the assumptions underpinning the sample of assets we selected for testing, which consisted of commercial properties and a marina.
- We were broadly satisfied with the assumptions underpinning the sample of assets we selected for testing, which consisted of commercial properties and a marina. The exception was in relation to one site near Old Kent Road which we considered to be understated. This is because the Council has not reflected the development potential of the site in the valuation, meaning a buyer (if the Council were to dispose of it) would likely pay significantly in excess of the valuation provided by Cluttons. We have, in reaching this view, considered recent transactions in the local area including of a sale in Folgate in February 2025. We are satisfied that this finding is unlikely to reoccur in the remainder of the population because of the unique nature of this asset and the specific nature of development plans in Old Kent Road generally.
- Our work to date in relation to underlying factual data to support the valuation found no inaccuracies and supported the correct valuation of these assets.

Conclusion

We identified an understatement of £4.5m which has been corrected due to an asset where, in our view, the valuation was not in line with available market evidence. We were satisfied that the fact pattern relating to this asset was unique and therefore this understatement was not representative of the portfolio as a whole. Consequently, we are satisfied that we have obtained sufficient appropriate audit evidence to address this risk.

Key:
Prior year Current year

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Key accounting estimates and management judgements– Overview

Our view of management judgement

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

Cautious Neutral Optimistic

Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
	Cautious Neutral Optimistic			Needs improvement Neutral Best practice	
Asset 1 Council dwellings		3,572	180		In respect of dwellings and non-specialised assets, we were satisfied that the valuation was balanced based on the comparable evidence reviewed. In respect of dwellings we did identify an understatement driven by an error in the valuation model, however we noted this was a factual error not linked to valuer judgement or determination of assumptions. Consequently this finding did not affect our view of management judgement. In respect of specialised assets, we were satisfied that the valuation was balanced based on our assessment of the subjective adjustments used in the valuations (namely build cost rates and obsolescence) as compared to our knowledge of the assets, the Council as a whole, and our experience with the valuers methodology. In respect of disclosure, the Council should have provided greater detail on specific assumptions which contain the highest degree of estimation uncertainty and sensitising those assumptions. These disclosures have subsequently been added to the financial statements.
Asset 2 Land and buildings - specialised		1,169	(19)		
Asset 3 Land and buildings – non-specialised					

Key accounting estimates and management judgements– Overview

Asset/liability class	Our view of management judgement (Cautious – Neutral – Optimistic)	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates (Needs improvement – Neutral – Best practice)	Further comments
Asset 4 Investment properties		303	13		Consistent with the prior period, we identified one property which we considered to be understated based on available comparable data This has been amended. No issues were identified in other properties, and we considered the fact pattern to be unique to that one property meaning we were satisfied the estimate was not cautious overall. In respect of disclosure, this estimate was not disclosed as a key source of estimation uncertainty which is inconsistent with the judgement involved in determining the valuation.
Asset 5 Defined benefit plan assets – LGPS – including impact of asset ceiling		(1,590)	238		We did not identify any issues with the assumptions underpinning the valuation of the asset or in determining the application of the asset ceiling which restricts the net pension asset to £nil. In respect of the liability, we found the assumptions to be optimistic due to an optimistic determination of inflation adjustments. We, however, noted the assumptions fell within our acceptable range and so considered them appropriate. We considered the disclosures to be acceptable. The most significant adjustment made to disclosures was to detail the impact on pass-through arrangements on the Council's pension fund balances.
Asset 4 Defined benefit plan obligations – LGPS		1,590	(238)		

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Other significant matters

Control deficiencies

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

Key:

- 🔴 These are significant control deficiencies which increase the likelihood and potential magnitude of a material misstatement in the financial statements. We have identified no significant control deficiencies in the current year but note one outstanding prior year deficiency.
- 🟡 These are matters of sufficient importance to note such as weaknesses which were subsequently corrected and matters that could be significant in the future if left unaddressed. We have identified two such deficiencies in the current year and one outstanding prior year deficiency.
- 🟢 These are less significant weaknesses but which we considered to be of sufficient importance to merit management's attention. We have raised no related observations in the current year.

Beacon valuations (recurring)

- At Southwark, there are several beacon groups used in the valuation of dwellings in excess of 600 properties. MHCLG guidance is that there should not normally be over 600 dwellings in a beacon group. In most cases this reflects the size of the Council's estate.
- However, we identified one beacon with a wide spread of properties which suggests the beacon might not be appropriately configured (see page 9). The valuation did, however, allow for this wide geographic spread.

Management response: The Council uses over 1,200 beacons and sub-beacons to group approximately 38,000 dwellings based on property similarities, enabling more accurate and robust valuations through detailed analysis rather than fixed group sizes.

Valuation review (recurring)

- A misstatement was identified in the dwelling valuation because of a transposition error made in the valuation sheets, meaning the wrong year's figure was pulled through into the valuation journal.
- We recommend that the Council introduces a granular review of the valuation on a beacon-by-beacon basis to prevent a similar error arising in the future

Management response: For the 2025/26 financial year, the valuation process has started earlier with enhanced controls—including locked spreadsheet fields and dual-authorisation—to enable thorough review of significant movements and ensure greater accuracy and integrity.

SAP access (recurring)

- We continued to identify over-privileged access to the SAP system. The working practices in respect of SAP access are antiquated and not in line with current best practice.
- We appreciate that the Council is replacing its SAP system and therefore it is unlikely significant improvement will be made until the new system is implemented. Consequently we have not re-raised our prior period recommendations in respect of SAP access, training, and controls.

Management response: This control deficiency will be addressed as part of the SAP replacement project.

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Significant audit misstatements

Management has approved the correction of the audit misstatements detailed on page 37 and they are reflected in the draft financial statements. A summary of the uncorrected audit misstatements is detailed on page 36.

The misstatements identified, and their estimated financial impact on the surplus on provision of services, are summarised in the table on the right. Misstatements affecting solely the balance sheet and/or other comprehensive income are set out in the appendix.

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

- If the uncorrected factual audit misstatements were posted, they would increase the surplus on provision of services by £9m.
- For our views on management estimates – see Pages 16 – 17 (Key accounting estimates)
- A detailed summary of corrected and uncorrected audit misstatements and omissions and errors in disclosure is included in the appendix.

Audit misstatements – (Surplus) on provision of services	Type	£'000s	Comment
Trial balance		(3,377)	
Corrected misstatements			
Investment property	Judgemental	(4,530)	The value of one investment property could not be supported by market comparatives. We therefore believe the valuation of this investment property was incorrect. This has no impact on outturn.
Reported in FS		(7,907)	
Uncorrected misstatements			
Pensions contributions	Factual	(9,007)	The Council has created an accrual to pay backdated pension contributions to staff who were erroneously not auto-enrolled into the LGPS. However, the Council did not have an accounting obligation to do so at the balance sheet date as it had not yet informed the affected staff.
Our assessment		(16,914)	

Types of misstatement

Factual: Misstatements about which there is no doubt

Projected: Our best estimate of misstatements in the audited populations

Judgemental: Differences arising from judgements of management that we consider unreasonable or inappropriate

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Other matters

Narrative report

We have read the contents of the Narrative Report and checked compliance with the requirements of the Annual Report and financial statements with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 ('the Code'). Based on the work performed:

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

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

Annual Governance Statement

We have reviewed the Council's 2024/25 Annual Governance Statement and confirmed that:

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

Group audit

There has been no change to the scope of our group audit communicated as part of our indicative audit plan and strategy report, presented on 2 June 2025. Our procedures were focused on the Council excluding schools where accounting is processed outside of the Council's finance team. All audit work was performed by the group engagement team.

Whole of Government Accounts

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

We are yet to receive instructions from NAO regarding WGA.

Independence and Objectivity

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

Audit Fees

Our scale fee for the 2024/25 audit, as set by PSAA is £591,009 plus VAT. See page 32 for details and status of fee variations.

We have also completed non audit work at the Council during the year in relation to central government returns the Council is required to make and be inspected by a firm of accountants. We have included in the appendix confirmation of safeguards that have been put in place to preserve our independence.

Value for money

Value for Money

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

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

Commentary on arrangements

We have prepared a draft of our Auditor's Annual Report and a copy of the draft report is included within the papers for the Committee alongside this report. We have not yet finalised our commentary on the your arrangements because of work we are undertaking in response to an objection, the result of which may have a material bearing on our commentary. The final report, once issued, is required to be published on your website alongside the publication of the annual report and accounts.

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

As noted on the right, we have identified two risks of a significant weakness in the Council's arrangements to secure value for money. Overleaf we have set out our response to those risks.

Within our final Auditor's Annual Report we will set out any recommendations we decide to make (if any) in response to that significant risk.

Summary of findings

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

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	Two significant risks identified	Work is underway*
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Further detail is set out in our draft Auditor's Annual Report.

* Work in relation to one risk is complete, and we did not identify a significant weakness, see page 24. Work in relation to the other risk is underway, see page 23.

Performance improvement observations

As part of our work we have identified four Performance Improvement Observations, which are suggestions for improvement but not responses to identified significant weaknesses – see page 25.

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Significant Value for Money Risk

1 Major Works

Risk that value for money arrangements may contain a significant weakness linked to governance and improving economy, efficiency and effectiveness

Significant Value for Money Risk

Allegations raised in the prior period from media reports and other information received by us stated that multi-million pounds of money was paid by the Council to contractors without adequate controls to ensure money was well spent and that contractors were performing against contractual commitments.

After year-end, we became aware of a detailed review into two major works that took place during the year which identified substantial systematic weaknesses in controls in respect of major works schemes, where there is a realistic risk that the Council systematically does not have appropriate governance arrangements in relation to contract management, nor appropriate arrangement to ensure that capital investment is done in an economical, efficient, and effective manner.

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

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

Our response

We will evaluate the extent to which the findings raised by the Task and Finish Team indicate either further weaknesses in controls since the prior period audit, or whether there is evidence of the control environment strengthening.

Our findings

Our work in respect of this risk is underway as the risk is linked to an objection to the accounts for 2024-25 that we have received and accepted. We will report our findings upon the completion of our work..

Significant Value for Money Risk

2 RSH breaches

Risk that value for money arrangements may contain a significant weakness linked to governance

Significant Value for Money Risk

During 2024/25, the Council received a damning judgement from the Regulator of Social Housing, raising several concerns including, but not limited to, building safety concerns; unfairness in the housing allocations policy; and poor governance of TMOs.

At the time the RSH decided not to take enforcement action against the Council because there was a clear commitment by the Council to putting things right.

However, if the Council does not have an adequately governed arrangement to improve its housing service, there is a risk of future penalty by the RSH, as well as a worsening quality of service for Southwark residents.

We have therefore identified a significant VFM risk that the Council may not have appropriate governance arrangements in place to ensure the successful resolution of the RSH's concerns.

Our response

Assess the governance arrangements the Council has implemented to respond to the RSH's findings. Assess whether there is an adequately developed action plan, including clear actions with monitoring to ensure they are successfully implemented.

Our findings

Findings

Whilst this is not a guarantee that the Council will be able to obtain a compliant grading from the RSH, we have seen evidence that the Council has adequately developed an action plan to rectify the issues raised by the RSH, the action plan contains relevant actions, and there is appropriate governance to ensure its successful delivery.

For further details, refer to the draft Auditor’s Annual Report.

Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangement.

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Value for Money: Performance improvement observations

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

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

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	❶	**Major works** The Council has developed a new approach to managing major works schemes and has rolled out this approach on a trial scheme over the course of 2024-25. The intention is then to apply this new approach on schemes throughout 2025-26 and beyond. The Council has, however, not assessed if this new approach is working effectively and mitigating the issues that arose on the Devon Mansions and Canada Estate schemes. Therefore, there is a risk the same issues could re-occur. The Council should obtain independent scrutiny of its new approach to major works schemes, such as through an Internal Audit review, and consider any findings prior to rolling out the new approach more broadly.	See page 27
2	❶	**Tenant Management Organisations (TMOs)** The Council has developed and implemented new governance arrangements for overseeing TMOs and has identified new indicators of non-compliance or weakness that the Council has been able to take timely action to resolve. However, the Council has not yet set out its plans or intentions for ensuring any backlog of cyclical works are to be performed where TMOs were paid to perform the works but they did not happen. The Council should set out its intentions to members and the public in the interest of transparency. The Council should also regularly report progress in embedding new governance arrangements for TMOs to ensure there is scrutiny of progress and any other issues arising, until such a time that TMOs are regularly complying with their contractual obligations.	See pages 28 – 29

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Value for Money: Performance improvement observations

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
3	1	**Stock condition survey** The Council has taken action in the year to rebuild the financial sustainability of the housing revenue account (HRA). Whilst there is still work to be done to ensure the HRA is generating recurrent surpluses and hence rebuilding reserves, there have been clear green shoots of recovery. The most pressing remaining action is in relation to stock condition, due to the risk that there is a material backlog of repair works required to bring homes to a decent standard. The Council has recently commissioned the survey, and has received some feedback on a trial basis, however is still some way from having a complete picture of the condition of its stock. The Council should complete the stock condition survey as soon as possible. Once there is visibility of the likely cost impact on the HRA to remediate any repairs backlog identified, this should be communicated through the governance process so that any financial pressure arising can be assessed and mitigated.	See page 30
4	2	**Transformation programmes** The Council is moving away from a savings programme to instead use strategic transformation programmes to achieve savings – including those which cross-cut across several directorates. This is reasonable and demonstrates the Council responding early to the likely impact of funding reform on its resources. The Council has undergone various transformation programmes in recent years, however this is the first time the Council has planned a significant transformation in order to make savings. Consequently, the Council should ensure it has developed sufficient and appropriate governance arrangements to monitor the delivery and outcome of these transformation programmes, and track financial savings as part of ongoing monitoring of the medium-term financial plan (MTFP). This is to help ensure these programmes achieve their desired outcome in terms of supporting the MTFP.	See page 30

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Value for Money: Performance improvement observations

Major Works: Management Response

The new approach to managing major works is being led by senior staff employed directly by Southwark over an extended period, who have extensive experience at strategic level to drive through major changes to major works contracts and teams. They have ensured that the lessons learned from the Devon Mansions/ Cananda Estate schemes have been implemented, with staff aware of the issues and changes, a strong focus on residents and ward councillors involved in agreeing the final specification of works, scrutiny of costs, and agreement on any major variations to the works. In addition, a monthly report (the format of which was approved by the residents/ward councillors) is presented to the residents which outlines the works carried out to date, any variations, including the financial impacts of the variations, progress of the works against the original contract timetable and any effect to the programme due to variations or inclement weather. The emphasis is to be transparent with resident' representatives and provide explanations and photographs of the works at each stage. The report is also shared with the Housing Lead Councillor as well as the Chair of the Overview and Scrutiny Committee, as requested by the Chair.

All site instructions are checked and countersigned by Southwark project manager, each major variation is costed before been issued, no specification creep is allowed without senior management sign off and the Head of Strategic Asset Management stating where the funding will come from. A Southwark Quantity Surveyor checks valuations before they are agreed with spot checks on site.

It is envisaged that an audit is carried out by senior managers and residents/ ward councillors in February 2026, when many of the blocks will have had works carried out to them to sufficiently test the robustness of the revised procedures.

The monthly progress meeting is led by staff from the Investment – Design & Delivery team, who will flag up any large variations to the contracts at an early level. In addition on new projects, we are including residents on the panel to procure contractors. We therefore do not think it is appropriate at this time to engage an independent review.

Value for Money: Performance improvement observations

Tenant Management Organisations (TMOs): Management Response

The legacy issues highlighted in TMO audits, including matters touching and concerning TMO financial governance generally and matters specifically related to the use of the cyclical external redecoration allowances by TMOs, are being addressed with individual TMOs. To date, the TMO Governance team has recovered £1.6 million + VAT from the affected TMOs and there are agreements in place for the affected to return a further £1 million in quarterly instalment repayments by 2027.

TMOs are now required to provide a finance report at each TMO Management Committee meeting. The TMO management committee meetings are tracked via the TMO governance calendar where all TMO agendas and minutes are tracked and filed.

TMO bank statements are physically checked quarterly to review financial activities and the balance recorded for each bank statement. This ensures a more transparent financial management framework and gives an opportunity for the council to monitor income and expenditure trends as well as spot and track unusual transactions.

The TMO Governance team has devised a robust performance monitoring and an efficient financial governance framework to ensure TMOs fulfil their contractual and statutory obligations as set out in the Modular Management Agreement (MMA). I am enclosing a TMO contract monitoring checklist covering 38 areas to probe when conducting TMO monitoring to ensure TMO comply with their statutory and contractual obligations for completeness.

There is now a more comprehensive financial governance regime that scrutinises quarterly MMA allowances paid to TMOs to ensure TMOs spend their allowances on allowable areas of spend as set out in the MMA. All TMOs, depending on the delegated landlord functions, are required to maintain the following bank account accounts:

- **Separate day to day operational bank account** – This is the normal operational business account of the TMO used to conduct its day-to-day business operations.
- **Major works bank account** - Chapter 5, clause 9.1 and 9.2 sets out the requirement of the TMO with a delegated major works function to set up a separate major works bank account reproduced for ease reference, “9.1 The Tenant Management Organisation will set up a Major Works Account, which will be shown on the Tenant Management Organisation’s balance sheet at the end of each Financial Year. The amount included in the Allowances to meet the costs of Major Works (Chapter 2, clause 6) will be deposited in the Major Works Account. 9.2 If a credit balance remains in the Major Works Account when this Agreement ends the balance will be paid over to the Council.”
- **Reserve fund Bank Account** – The TMO reserves fund is set up by the TMOs on behalf of the Council to meet anticipated costs in future years resulting from under-spending on repairs and services, known commitments for future works and costs arising from unforeseen circumstances.
- **Surplus fund Bank Account** – the surplus fund bank account records efficiency savings from staffing and other TMO operational costs or surplus of assets over liabilities . Although the funds in the surplus bank account is owned by the TMO, any spend of the surplus by the TMO must be in accordance with the constitution of the TMO.

All TMOs are required to submit an annual audited account and filed with either Companies House or the Financial Conduct Authority (FCA) and copies sent to the council. To date all 16 TMOs have submitted their audited accounts for 2024/25 financial year.

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Value for Money: Performance improvement observations

Tenant Management Organisations (TMOs): Management Response cont…

TMO Modular Management Agreement performance management and contract monitoring

A bespoke web based TMO Governance and Monitoring App has been developed with the Council's Technology and Digital Services (TDS). The APP is currently in the user acceptance stage, and we aim to start using the APP for TMO governance and monitoring by November 2025. The APP is undergoing rigorous penetration tests as part of the council's robust IT infrastructure management to prevent hacking and protect the council's data.

A bespoke TMO contract monitoring checklist has also been developed, and it is used to carry out the annual TMO A bespoke TMO contracting monitoring checklist has been developed with the Council's external auditors, BDO and the TMO Governance team. This checklist is used to carry out yearly audits of all the 16 TMOs and enclosed for ease of reference.

A TMO Performance Data Analyst has been in post since April 2025 and has now produced the first quarter TMO Performance Dashboard enclosed for ease of reference.

The TMO Governance calendar is also enclosed to show all TMO Governance meetings as well as evidence that the council is attending TMO Governance meetings to ensure oversight and scrutiny of TMOs and holding TMOs to account for the delegated housing management functions.

Value for Money: Performance improvement observations

Stock Condition Survey: Management Response

The Council has commissioned a stock condition survey to assess the condition of its housing stock and support the financial sustainability of the Housing Revenue Account (HRA). Initial trial feedback has been received, and the programme is progressing under the oversight of the Partnership Board, which actively mitigates any programme management risks.

A key principle of the survey programme is the strict “no-reporting policy for general day-to-day repairs”. Residents are instructed to continue reporting these through existing channels, and as such, the programme is not expected to generate any material increase in HRA costs from standard responsive repairs.

The primary financial impact on the HRA will arise from the identification of Health and Housing Safety Rating System (HHSRS) Category 1 and Category 2 failures, particularly those related to damp and mould. While some of these issues may have already been reported, the majority are new findings and will require inspection and remedial action. These failures also affect Decent Homes Standard (DHS) compliance.

For example, in the pilot phase, five severe HHSRS failures were identified, which reduced DHS compliance by 7%. As of the end of October (one month into the full programme), the survey has identified:

- 79 severe failures (Category 1)
- 22 moderate failures (Category 2)

Each case will require some level of intervention, though costs will vary depending on the severity and scope of the issue. Cost data is currently held within the repairs team, who are responsible for resolving the failures. This issue has been discussed at our Partnership Board meeting, and there is scope to monitor the financial impact through this governance process

Transformation programmes: Management Response

The council has a governance structure in place to support council wide transformation which is facilitated by the Corporate Change team, led by the Corporate Transformation and Efficiencies Board (CTEB) and supported by a Director Champions Group and Transformation & Efficiencies Delivery Group (TEDG). The board meet regularly, to receive programme updates, discuss progress and make key decisions regarding transformation activity. Financial and non-financial benefits are identified, developed, and tracked at programme level with updates provided to CTEB and member during the year; portfolio lead member meetings, financial monitoring reports to cabinet and assembly and scrutiny committee updates.

Value for Money: Performance improvement observations

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

#	Risk	Issue, Impact and Recommendation	Update as of October 2025
Matters raised during the 31 March 2024 audit			
1	2	**Quality and performance monitoring** We identified that the Council has a performance monitoring arrangement, however the Council's performance against the KPIs it has determined are not subject to scrutiny by any public part of the governance structure. Furthermore, we could not tell if the Council took the views of external stakeholders when designing these KPIs. This scrutiny is important in ensuring the Council meets the commitment it makes to residents. If the KPIs are not aligned to the prioritises of service users, there is a risk that the KPIs do not measure the right thing. We recommend that the Council takes its KPI dashboard to Overview and Scrutiny Committee on a regular basis and takes feedback from members as to whether the KPIs are in line with constituent's views.	**Not implemented** KPIs were introduced during Q4 of 2024/25 and therefore we anticipate this finding will be resolved in the next financial year.
2	2	**Risk management** The Council's annual risk paper, as presented to Audit, Governance and Standards Committee in February 2024, stated that the risk register is not formally reviewed by the Corporate Management Team. We also could not see evidence of the risk register being reviewed by Cabinet. We would expect both reviews to take place to ensure that risks are receiving appropriate scrutiny and mitigation, and that officers are held to account for adequately managing risks in their areas. We recommend that the risk register is reviewed by both the Corporate Management Team and Cabinet on a regular basis.	**Not implemented** The Council are still deciding whether this is presented to Cabinet.
3	2	**Tender Waivers** The Council does not currently collate a single register of tender waivers, nor presents such a list for scrutiny by any part of the Council's governance structure. As tender waivers are an area where the Council is at greater risk of not receiving best value in services procured, it is important that waivers are subject to monitoring and oversight, with officers held to account should there be waivers which may indicate the Council is achieving poor value for money. We recommend that the Council centrally collect details on all waivers, and present them for review and challenge by the Audit, Governance and Standards Committee at each meeting.	**Not implemented** The Council has indicated that this will be piloted and then rolled out during 2025/26.

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Value for Money: Performance improvement observations

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

#	Risk	Issue, Impact and Recommendation	Update as of October 2025
4	2	**Leisure service performance monitoring** During 2023/24, the Council completed its in-sourcing of leisure services. As a consequence, the Council now operates a leisure service. The in-sourcing arose due to a view that the Council can provide a better quality service more cheaply than the private sector. As the in-sourcing arose due to the Council believing it can achieve superior economy, efficiency, and effectiveness in the leisure service, it is important that the Council has a mechanism to determine whether it is achieving all the benefits it anticipated when approving the business case. We recommend that the Council develop a suite of KPIs for monitoring the economy, efficiency, and effectiveness of the leisure service, consulting with service users to identify what is important to them.	**Not implemented** KPIs were introduced during Q4 of 2024/25 and therefore we anticipate this finding will be resolved in the next financial year.
5	2	**Savings plans** The Council's medium term financial strategy is predicated on the achievement of efficiency plans and, to a lesser extent, income generation activities and changes to the nature of services provided. We could not see any examples of where the Council actively monitors the effectiveness of individual plans beyond the review of the revenue outturn on a regular basis. Whilst the Council is not strongly dependent on the success of savings plans, it is best practice for the Council to individually monitor plans to ensure that a) they are achieving the desired financial benefit, and b) there is no unacceptable reduction to the quality of services. We recommend that this review is built into the Cabinet's review of the revenue outturn reports.	**Closed** The Council is shifting to the use of strategic transformation programmes to achieve the savings required to remain financially sustainable. Consequently this finding is no longer relevant.
6	3	**Service charges** The Council has received challenge from leaseholders as to the economy, efficiency, and effectiveness of the services they are required to pay for under leasehold law. Under that law, leaseholders are required to pay whatever a valid demand from the landlord (i.e. the Council) says, although they can challenge that demand at tribunal. Many landlords engage a firm of accountants or internal audit to perform procedures or an audit over service charge statements in order to confirm they are properly prepared in accordance with leases. As part of the Council's efforts to rebuild trust with leaseholders, we encourage the Council to consider whether such an exercise may be valuable.	**Closed** The Council has not elected to take this suggestion forward.

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Value for Money: Performance improvement observations

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

* As raised by the predecessor auditor, Grant Thornton.

#	Risk	Issue, Impact and Recommendation	Update as of October 2025
Matters raised prior to the 31 March 2024 audit			
7		We* recommend the Council undertakes its own analysis of its relative level of reserves and its policy towards earmarked reserves in comparison to peer councils, in order to test its reserves strategy.	**Implemented**
8		The Council should consider including an independent member with accounting experience to the Audit, Governance & Standards Committee.	**Closed** The Council has not elected to take this suggestion forward.
9		The Council should prioritise the review of the procurement service including Contract Management to ensure it is fit for purpose and ready for the implementation of new procurement legislation in early 2024.	**Closed** The Procurement Act is now in force and we have not identified any issues in respect of procurement.

Appendix

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Required communications

Type	Response
Our draft management representation letter	We do not intend to request any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2025.
Adjusted audit differences	There were two adjusted audit differences with a surplus impact of £nil. See page 37.
Unadjusted audit differences	The aggregated surplus impact of unadjusted audit differences identified to date would be to increase it by £9m. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate. See page 36.
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit to date within this report.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	To date, no actual or suspected fraud involving Council management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Issue a report in the public interest	We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters based on our work to date. However, as we are currently investigating an objection our conclusion in this are is subject to the completion of that work.

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

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Fees

Audit fee

Our fees for the year ending 31 March 2025 are set out in the PSAA Scale Fees communication and are shown below.

	2024/25	2023/24
Scale fees as communicated by PSAA	591,009	555,885
Fee variations agreed	-	70,536
Total audit fees	**591,009**	**626,421**

The Pension Fund audit fee as £88k. Full details are included in the Year End Report in respect of the Pension Fund audit.

Billing arrangements

Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

If we identify any fee variations upon the completion of our work, we will agree these with management and report them at a later date.

We anticipate fee variations being required in respect of our work in relation to significant value for money risks and objections.

Prior period fee variations

Fee variations were agreed by PSAA for the prior period as follows:

- New auditing standards: £18,000.
- First year audit work on PFI schemes: £11,479.
- Work in respect of prior period adjustments: £5,870.
- Work in respect of complexities in valuation work: £8,700.
- Technical accounting issues: £7,629.
- Value for Money risks: £9,282.
- Work of internal experts: £9.576.

Total: £70,536 (12% of scale fee).

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Confirmation of Independence

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

To the Audit and Governance Committee members

Assessment of our objectivity and independence as auditor of Southwark Council

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

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

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

General procedures to safeguard independence and objectivity

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

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

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

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

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

Summary of non-audit services

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

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Confirmation of Independence (cont.)

Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2025 *Relating to March 2024 returns*	Value of Services Committed but not yet delivered *Relating to March 2025 returns*
Other Assurance Services	Agreed upon procedures in relation to the housing benefit subsidy return.	Self review Management	• The work is performed by a separate engagement team to the audit team, and the work is not relied on within the audit file. • Our work does not involve judgement and are statements of fact based on agreed upon procedures.	Fixed	94,000	37,200
	Agreed upon procedures in relation to the teachers pension scheme return.	Self review Management	• The work is performed by a separate engagement team to the audit team, and the work is not relied on within the audit file. • Our work does not involve judgement and are statements of fact based on agreed upon procedures.	Fixed	6,000	6,300
	Agreed upon procedures in relation to the pooling of housing capital receipts return.	Self review Management	• The work is performed by a separate engagement team to the audit team, and the work is not relied on within the audit file. • Our work does not involve judgement and are statements of fact based on agreed upon procedures.	Fixed	6,000	6,300

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Confirmation of Independence (cont.)

Summary of fees

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

	2024/25	2023/24
	£'000s	£'000s
Audit of Council	591	572
Audit of Pension Fund	86	75
Total audit fees	**677**	**647**
Other assurance services	50	106
Total non-audit services	50	106
Total KPMG fees	**727**	**753**

Application of the Auditor Guidance Note 1 (AGN01)

The ratio of non-audit fees to audit fees for the year was 0.07 : 1 (PY: 0.16 : 1), or 6% which is compliant with Auditor Guidance Note 1 (AGN01). We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year. The non-audit services relate to agreed upon procedures engagements in relation to returns the Council makes to central government, and are permissible under AGN01.

Contingent fees

We confirm that we have complied with the FRC Ethical Standard's prohibition on charging contingent fees for non-audit services to or in respect of an audited entity.

Independence and objectivity considerations relating to other matters

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

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP, each member of the audit engagement team, and anyone else within the Firm who can influence the conduct or outcome of this audit engagement is independent within the meaning of regulatory and professional requirements.

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

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

Yours faithfully

KPMG LLP

Uncorrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit, Governance, and Standards Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit and Governance Committee, details of all adjustments greater than £1,625k shown below:

Uncorrected audit differences (£'000s)				
No.	**Detail**	**CIES Dr/(cr)**	**Balance Sheet Dr/(cr)**	**Comments**
1	Cr Staff Costs	(9,007)	-	The Council has created an accrual to pay backdated pension contributions to staff who were erroneously not auto-enrolled into the LGPS. However, the Council did not have an accounting obligation to do so at the balance sheet date as it had not yet informed the affected staff.
	Dr Accrued expenses	-	9,007	
Total		**(9,007)**	**9,007**	

The following uncorrected matters in disclosures were identified:

- None

This information is subject to change as our work concludes. In particular we are investigating a matter linked to utility accruals.

Corrected audit misstatements

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

Corrected audit differences (£'000s)				
No.	**Detail**	**CIES Dr/(cr)**	**Balance Sheet Dr/(cr)**	**Comments**
1	Cr Assets Under Construction	-	(8,168)	Some assets sat within Assets Under Construction had been completed but not transferred to operational asset classes. There would also be a depreciation impact as assets are depreciated when operational, however owing to the low value of the assets transferred the depreciation impact is considered inconsequential and not reported.
	Dr Council Dwellings	-	1,049	
	Dr Other Land & Buildings	-	6,455	
	Dr Surplus Assets	-	665	
2	Cr Council Dwellings	-	(28,868)	An input error in the valuation of one beacon meant that the incorrect value was recorded for circa. 700 assets, resulting in an overstatement of the valuation. This has no impact on outturn.
	Dr (Surplus)/deficit on revaluation of non current assets – OCI	28,868	-	
	Cr Adjustments between accounting and funding basis	(28,868)	-	
	Dr Revaluation reserve	-	28,868	
2	Dr Investment property	-	4,530	The value of one investment property could not be supported by market comparatives. We therefore believe the valuation of this investment property was incorrect.
	Cr Gains on revaluation of investment property	(4,530)	-	
	Dr Adjustments between accounting and funding basis	4,530	-	
	Cr Capital adjustment account	-	(4,530)	
Total		**-**	**-**	

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Corrected audit misstatements

Updates to disclosures have been made as follows:

- Disclosure of pass-through arrangements (where the Council guarantees fixed LGPS pension contributions for outsourced employees) for the Southwark Pension Fund membership.
- The total rateable value of non-residential premises in Note 2 of the collection fund accounts was overstated by £9.8m.
- Disclosure of sensitivities in respect of the valuations of dwellings, other land and buildings, and investment properties (insofar as is practical) have now been disclosed.
- Correction to the remuneration of one senior officer.
- Some related party transactions have been removed where these did not meet the definition of a related party, for instance because the individuals concerned did not have control or significant influence over the third party.

This information is subject to change as our work concludes.

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Control Deficiencies

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

Priority rating for recommendations

❶ **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

② **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

③ **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	②	**Beacon valuations** In a beacon valuation methodology, dwellings are grouped into beacons where the value of one beacon is used as a proxy for all the properties in that beacon. MHCLG guidance is that the maximum number of properties in a beacon group should be 600, although the guidance acknowledges there will be occasions where this is exceeded in the case of very large estates. At Southwark, there are several beacon groups in excess of 600 properties. In most cases this reflects that Southwark has a very large estate and we were able to evidence that most of these large beacons had a concentrated number of properties within a small geographic area. However we identified one beacon with a wide spread of properties which suggests the beacon might not be appropriately configured (see page 9). The valuation did, however, allow for this wide geographic spread. The Council should consider whether its allocation of properties into beacons is appropriate. Should any requirement to adjust the beacons be identified, the Council should reconfigure beacons to ensure that they represent small numbers of geographically concentrated properties.	The Council currently uses over 1,200 beacons and sub-beacons to represent around 38,000 dwellings. Group sizes vary from single properties to larger groupings, depending on how closely the dwellings match in type and characteristics. This approach ensures valuations reflect property similarities rather than aiming for a set number of dwellings per group. The current structure therefore provides greater accuracy and more detailed analysis of the housing stock, supporting a fair and robust valuation process.
2	②	**Review of valuations** A misstatement was identified in the dwelling valuation because of a transposition error made in the valuation sheets, meaning the wrong year's figure was pulled through into the valuation journal. As a consequence the overall valuation was materially incorrect. It is our view that this error could have been identified during review had trends in valuations on a beacon by beacon basis been compared to available market data. This granular review by the Council would help to identify and then rectify any mistakes in the valuation prior to posting the valuation into the ledger. We recommend that the Council introduces a granular review of the valuation in the manner set out here.	For the 2025/26 financial year, the valuation process has commenced earlier to allow sufficient time for detailed reviews of significant valuation movements in collaboration with the external valuer. Additional controls are being introduced, including locking key spreadsheet columns and implementing a dual-authorisation process requiring two valuers to approve any changes to locked data fields. These measures will strengthen the accuracy and integrity of future valuations.

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Control Deficiencies (cont.)

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

Total number of recommendations	Number of recommendations implemented or closed	Number outstanding (repeated below):
15	11	4

#	Risk	Issue, Impact and Recommendation	Current Status (October 2025)
Matters raised during the 31 March 2024 audit			
1	1	**Journal authorisation** The Council has a process where journal entries require authorisation prior to posting in SAP. Whilst none of the journal entries we selected for testing lacked authorisation, we note that the system – as configured – does not enforce authorisation meaning there is a risk that a journal could be posted without approval. We understand the limitations the Council has identified in the current system meaning they do not believe an approval workflow will be useful. The Council should consider introducing an approval workflow in its replacement finance system.	**Outstanding** The Council is in the process of migrating to a new version of SAP. We would not anticipate the Council making substantial changes to the operation of the existing system due to its imminent replacement and consequently have not re-raised our recommendation.
2	2	**Grant returns** We identified a misstatement in expenditure because the Council had recognised a returned grant as an expense and not as a reduction to income. It transpired that this arose because the cashiers department did not correctly follow the instructions for posting the CHAPS payment. We recommend that the Council finds ways to simplify the way in which information is provided to different teams for processing as we believe this would reduce the likelihood of error. This could be done, for instance, through standardised finance request forms.	**Implemented** We have not identified any similar misstatements this year.
3	2	**IFRS 16** The Council did not have a clear transition plan or policy in place for the transition to IFRS 16. For instance, the Council told us that the impact of IFRS 16 would not be material but did not have a clear basis or calculation to support that view. As IFRS 16 is in effect from March 2025 year-ends onwards, we recommend that the Council develops a clear plan for implementing IFRS 16 as soon as possible.	**Implemented** The Council has now successfully implemented IFRS 16.

Control Deficiencies (cont.)

#	Risk	Issue, Impact and Recommendation	Current Status (October 2025)
4	2	**Related Parties** The Council used old declarations of interest as part of identification of related parties, in some cases with the declarations dating back to 2016. In many cases we identified more recent declarations on the Council's website, although we acknowledge these may not have existed at the time of preparing the disclosure. If outdated declarations are used, there is a risk the disclosure in the accounts will be incorrect. We recommend that the Council ensures it always uses the most up to date declaration, and chases members to provide declarations if not up to date during the accounts preparation process.	**Implemented** We have not identified any similar misstatements this year.
5	2	**Document accessibility** The Council found it difficult to locate the audit evidence we required for several audit procedures. This included fees and charges income where the Council found it hard to identify the information needed to evidence revenue recognition under IFRS 15. We appreciate that the Council is a large organisation which means there will always be an element of time to locate documentation. However, if the Council cannot easily locate information, this can generate inefficiencies within departments and make it difficult to comply with Freedom of Information requests in a timely manner. We recommend that the Council investigates ways in which it can be made easier to locate documents, for instance using a document management system.	**Implemented** We have not identified any similar issues in locating documents this year.
6	2	**Treasury accounting** We identified several misstatements relating to treasury accounting because the bank reconciliation process did not identify errors in the ledger where cash transactions were posted out of line with IFRS 9 requirements. In particular, a BACS payment requested but not cleared from the bank was not recorded as a creditor, as IFRS 9 requires. We recommend that the bank reconciliation process is reviewed to ensure that reconciling items which indicate journal posting out of line with IFRS 9 are identified and corrected, as opposed to closing simply by virtue of being a timing difference.	**Implemented** We have not identified any similar misstatements this year. We note that revisions to IFRS 9 will be included within 2026/27 CIPFA Code and therefore the Council should re-visit its approach again at that time.

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Control Deficiencies (cont.)

#	Risk	Issue, Impact and Recommendation	Current Status (October 2025)
7	2	**SAP training** We identified that the configuration of the Council's SAP system is not in line with current best practice, such as in relation to security configuration. Discussions with the SAP team established that they may not have access to training and resources to ensure they remain abreast of best practice in SAP. We recommend that the Council identifies ways to up-skill the SAP team and ensure they have access to up to date resources and training.	**Outstanding** The Council is in the process of migrating to a new version of SAP. We would not anticipate the Council making substantial changes to the operation of the existing system due to its imminent replacement and consequently have not re-raised our recommendation.
8	2	**Valuation inspections** Very few of the Council's buildings were physically inspected by Cluttons as part of the valuations process. We understand that the valuations process was difficult on account of the amount of time available for the preparation of accounts, however inspections are important to ensure valuations correctly reflect the condition of buildings. We recommend that an inspection regime is introduced for future valuation cycles. Such a regime could involve inspecting a certain percentage of assets each year subject to documented risk criteria.	**Implemented** We have seen evidence of an inspection regime having been put in place this year.
9	2	**Beacons** We identified a cautious valuation in respect of HRA dwellings because we found contradictory evidence for the valuation of one property. It was difficult to determine the extent to which the finding would affect other properties because the beacon group had a very large number of properties in it, approximately 2,000 whereas most beacons have property numbers in the hundreds. We recommend the Council considers whether it has correctly defined its beacon groups and whether there is any merit in splitting beacon groups up to achieve a more precise valuation.	**Outstanding** We have re-raised this recommendation, see page 39.
10	2	**Review of property valuation methodology** Our work over the PPE process did not identify a suitable control to be assessed as a management review control in line with the auditing standards. We did see evidence of review by the Council of individual property valuations however this process was not evidenced. We recommend that in the future, formal records are maintained and followed up with the valuer as valuations are received. We also recommend that ahead of the next revaluation, a paper should be approved by Cabinet or the appropriate Committee which covers the valuation approach. This can then feed into the instructions issued to the valuers and ensures that those charged with governance are aware of and satisfied with the approach.	**Outstanding** We have re-raised this recommendation, see page 39.

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Control Deficiencies (cont.)

#	Risk	Issue, Impact and Recommendation	Current Status (October 2025)
11	2	**Review of pension valuation methodology** Auditing standards define a management review control to include independent assessment of underlying assumptions by management. As part of our risk assessment procedures, we carried out a walkthrough to obtain an understanding of the pension assumption review process. We identified that there is no criteria or threshold developed for investigation/identification of outliers for pension assumptions. Therefore, although they do review the output of the actuary, there is no evidence of the review. Thus, there is not sufficiently well-defined process in place for it to meet the criteria of an effective review control. We recommend that management document the outcome of their annual review, including taking this to a relevant committee, to demonstrate appropriate challenge of the assumptions underlying the valuation. This should include demonstrating their view of their own assumptions to compare to those provided by the management expert.	**Closed – no further action proposed by the Council** The Council's view is that their approach adequately addresses their risks and consequently is content with their process as it stands. Consequently, this recommendation is outstanding but closed.
12	3	**Expected credit loss (ECL) provisions** The Council has a wide number of ECL provisions reflecting the varying nature of the debt the Council has. We could not identify any central policies or oversight of the approach for setting ECLs. Whilst ECLs should be set in a methodology unique to each form of debt, it would be good practice for corporate finance to set expectations/policies for setting ECLs as part of the closedown guidance for teams.	**Implemented** Based on recommendations from last year, the Council has revised its guidance and policies regarding the setting of ECL as part of the closedown process.
13	3	**Sensitivity disclosures** The CIPFA Code and IFRS requires disclosure of sensitivities for estimates where there is a significant degree of estimation uncertainty. For Southwark, this would be linked to valuations. Sensitivity disclosures should show the impact of changing individual assumptions, such as obsolescence adjustments. We recommend that the Council works with its various valuers to identify ways in which sensitivity disclosures can be calculated and presented.	**Implemented** Disclosure has now been made.
14	3	**Annual review of Pass through arrangements** Our evaluation of the 'pass-through arrangements' with third-party corporate entities indicates that the obligations arising from these arrangements fall within the scope of IFRS 9. However, the Council is currently accounting for these 'pass-through arrangements' under IAS 19 'Employee Benefits'. We have concluded that, provided the balance sheet difference is not material, the Council may continue to account for these 'pass-through arrangements' under IAS 19 'Employee Benefits'. We recommend that the Council provide additional disclosures to explain these 'pass-through arrangements' in detail and conduct an annual assessment of these agreements at the balance sheet date.	**Implemented** We have not identified any similar misstatements this year.

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Control Deficiencies (cont.)

#	Risk	Issue, Impact and Recommendation	Current Status (October 2025)
15	3	**Council Tax Surplus Calculation** We noted from casting checks performed over the version 1 statement of accounts, that when calculating the monetary figures in Note 4 of the collection fund had been calculated based on rounded percept/council percentages rather than those approved at Council. We recommend that in future periods these percentages are not rounded, and an additional review of this disclosure is conducted by a senior member of the Financial Accounting team.	**Implemented** No similar issues were found in the current year.

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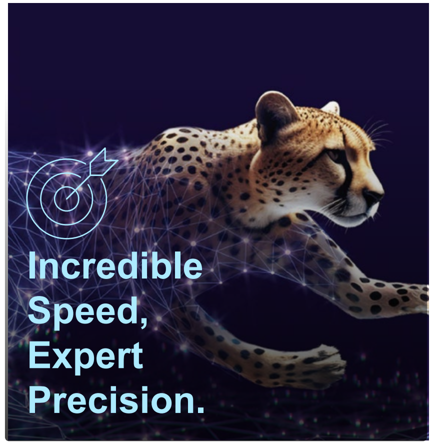
AI Transaction Scoring: A new way of auditing



Advanced AI and **Statistical Techniques** power routines that analyse **100% of the Data**

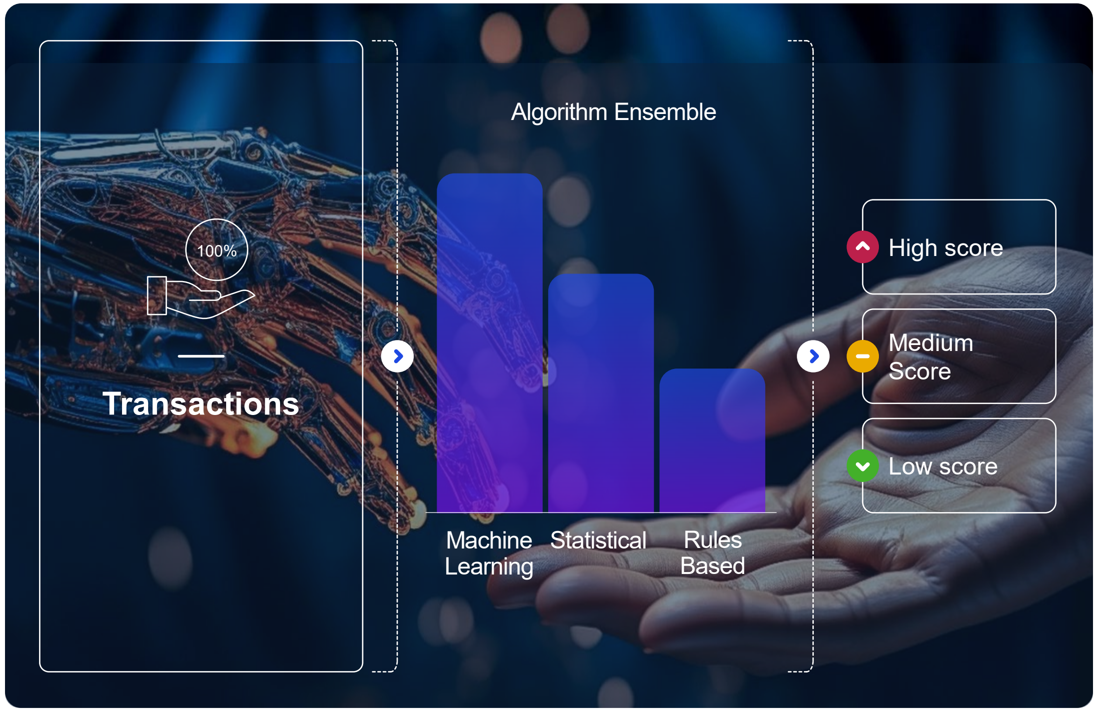
By employing a range of algorithms in parallel, we identify anomalous transactions (labelled as High or Medium) subject to further testing, enabling a **more targeted testing approach**.

By leveraging **AI**, the analysis performed is unique to your data. Transactions are scored by considering your business processes, your entity's posting habits, using **Unsupervised Machine Learning** delivering **Advanced Anomaly Detection**.

With the power of AI in the hands of our teams, we can identify patterns and outliers that wouldn't be captured by traditional sampling methods, providing deeper insights.

Benefits

Robust insight, facilitating more meaningful discussions	Safeguarding quality through next-generation AI	Efficiency through automation and increased focus



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AI Transaction Scoring: Operating Expenses

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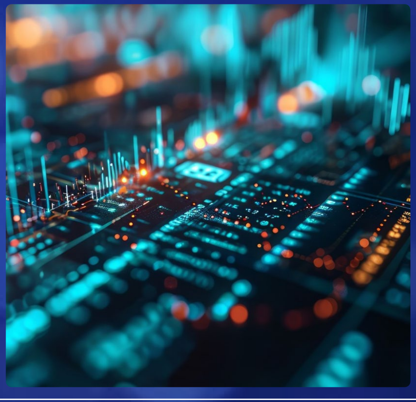
Operating Expenses



11 Algorithms

01
02
03
04
05
06
07
08
09
10
11

AI Machine Learning

Rules - Based

Statistical Principle

High Score

Medium Score

Low Score

Additional substantive procedures required, either:

- 100% testing
- Statistical Sampling
- Specific Item Testing

We have obtained sufficient substantive evidence as they have returned a sufficiently low score across the 11 algorithms

No additional work required

DRAFT

AI Transaction Scoring: Results Overview – Operating Expenses

Using our KPMG - AI Transaction Scoring we have tested 100% of social care, DSG-funded, HRA, and other operating expenses transactions.

The work enabled us to identify the transactions which fall outside of the expected expenditure patterns, therefore requiring further investigation.

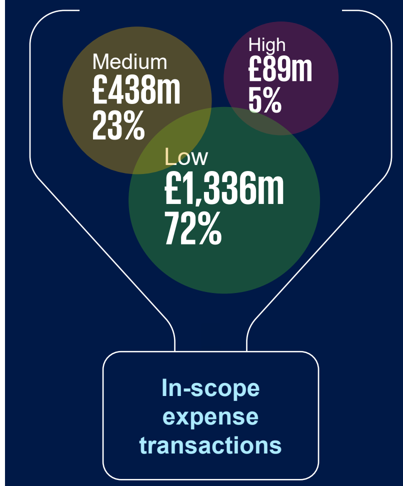
Key highlights include:

- 72% of in-scope transactions during the period were categorised as low risk
- 28% were classified as Medium or High risk and subjected to further procedures
- We were able to gain comfort over a much larger proportion of in-scope expenditure streams than last year, whilst testing fewer samples.

Population Analysed

KPMG applied AI Transaction Scoring solution over four expenditure streams, for the 2024/25 financial year:

Results



- 72% of expenditure transactions returned a sufficiently low score across the algorithms corroborating our understanding of this population of routine transactions. The robust work from the algorithms enabled us to obtained sufficient cumulative audit evidence, when considered alongside our work on data integrity and related accounts.
- High risk transactions identified included items which follow less routine processes, such as write-offs of irrecoverable debts, PFI charges and REFCUS.
- We selected a sample of medium and high risk transactions to evaluate the accounting and understand whether the transactions were understandable given the nature of the Council, and whether they were indicative of systemic errors in the population.
- We did not identify any misstatements as a result of our work.

Insights

Our approach allowed us to validate that the large volume of low value, routine, regular transactions incurred by the Council were appropriately recognised in the financial statements. This gives assurance as to the effectiveness of the Council's expenditure processing arrangements.

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FRC's areas of focus

The FRC released their Annual Review of Corporate Reporting 2023/24 ('the Review') in September 2024 having already issued three thematic reviews during the year.

The Review and thematics identify where the FRC believes companies can improve their reporting. These slides give a high level summary of the key topics covered. We encourage management and those charged with governance to read further on those areas which are significant to their entity.

Key expectations for 2024/25 annual reports

Overview

The Review identifies that the quality of reporting across FTSE 350 companies has been maintained this year, but there is a widening gap in standards between FTSE 350 and non-FTSE 350 companies. This is noticeable in the FRC's top two focus areas, 'Impairment of assets' and 'Cash Flow Statements'.

'Provisions and contingencies' has fallen out of the top ten issues for the first time in over five years. This issue is replaced by 'Taskforce for Climate-related Financial Disclosures (TCFD) and climate-related narrative reporting'.

The FRC re-iterates that companies should apply careful judgement to tell a consistent and coherent story whilst ensuring the annual report is clear, concise and Council/Authority-specific.

Pre-issuance checks and restatements

The FRC expects companies to have in place a sufficiently robust self-review process to identify common technical compliance issues. The FRC continues to be frustrated by the increasing level of restatements affecting the presentation of primary statements. This indicates that thorough, 'step-back' reviews are not happening in all cases.

Risks and uncertainties

Geopolitical tensions continue and low growth remains a concern in many economies, particularly with respect to going concern, impairment and recognition/recoverability of tax assets and liabilities. The FRC continue to push for enhanced disclosures of risks and uncertainties. Disclosures should be sufficient to allow users to understand the position taken in the financial statements, and how this position has been impacted by the wider risks and uncertainties discussed elsewhere in the annual report.

Financial reporting framework

The FRC reminds preparers to consider the overarching requirements of the UK financial reporting framework in determining the information to be presented. In particular the requirements for a true and fair view, along with a fair, balanced, and comprehensive review of the Council/Authority's development, position, performance, and future prospects.

The FRC does not expect companies to provide information that is not relevant and material to users, and companies should exercise judgement in determining what information to include.

Companies should also consider including disclosures beyond the specific requirements of the accounting standards where this is necessary to enable users to understand the impact of particular transactions or other events and conditions on the entities financial position, performance and cash flows.

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FRC's areas of focus (cont.)

Impairment of assets

Impairment remains a key topic of concern, exacerbated in the current year by an increase in restatements of parent Council/Authority investments in subsidiaries.

Disclosures should provide adequate information about key inputs and assumptions, which should be consistent with events, operations and risks noted elsewhere in the annual report and be supported by a reasonably possible sensitivity analysis as required.

Forecasts should reflect the asset in it's current condition when using a value in use approach and should not extend beyond five years without explanation.

Preparers should consider whether there is an indicator of impairment in the parent when its net assets exceed the group's market capitalisation. They should also consider how intercompany loans are factored into these impairment assessments.

Cash flow statements

Cash flow statements remain the most common cause of prior year restatements.

Companies must carefully consider the classification of cash flows and whether cash and cash equivalents meet the definitions and criteria in the standard. The FRC encourage a clear disclosure of the rationale for the treatment of cash flows for key transactions.

Cash flow netting is a frequent cause of restatements and this was highlighted in the 'Offsetting in the financial statements' thematic.

Preparers should ensure the descriptions and amounts of cash flows are consistent with those reported elsewhere and that non-cash transactions are excluded but reported elsewhere if material.

Climate

This is a top-ten issue for the first time this year, following the implementation of TCFD.

Companies should clearly state the extent of compliance with TCFD, the reasons for any non-compliance and the steps and timeframe for remedying that non-compliance. Where a Council/Authority is also applying the CIPFA Climate-related Financial Disclosures, these are mandatory and cannot be 'explained', further the required location in the annual report differs.

Companies are reminded of the importance of focusing only on material climate-related information. Disclosures should be concise and Council/Authority specific and provide sufficient detail without obscuring material information.

It is also important that there is consistency within the annual report, and that material climate related matters are addressed within the financial statements.

Financial instruments

The number of queries on this topic remains high, with Expected Credit Loss (ECL) provisions being a common topic outside of the FTSE 350 and for non-financial and parent companies.

Disclosures on ECL provisions should explain the significant assumptions applied, including concentrations of risk where material. These disclosures should be consistent with circumstances described elsewhere in the annual report.

Council/Authority should ensure sufficient explanation is provided of material financial instruments, including Council/Authority -specific accounting policies.

Lastly, the FRC reminds companies that cash and overdraft balances should be offset only when the qualifying criteria have been met.

Judgements and estimates

Disclosures over judgements and estimates are improving, however these remain vital to allow users to understand the position taken by the Council/Authority. This is particularly important during periods of economic and geopolitical uncertainty.

These disclosures should describe the significant judgements and uncertainties with sufficient, appropriate detail and in simple language.

Estimation uncertainty with a significant risk of a material adjustment within one year should be distinguished from other estimates.

Further, sensitivities and the range of possible outcomes should be provided to allow users to understand the significant judgements and estimates.

FRC's areas of focus (cont.)

Revenue

Disclosures should be specific and, for each material revenue stream, give details of the timing and basis of revenue recognition, and the methodology applied. Where this results in a significant judgement, this should be clear.

Presentation

Disclosures should be consistent with information elsewhere in the annual report and cover Council/Authority - specific material accounting policy information.

A thorough review should be performed for common non-compliance areas of IAS 1.

Income taxes

Evidence supporting the recognition of deferred tax assets should be disclosed in sufficient detail and be consistent with information reported elsewhere in the annual report.

The effect of Pillar Two income taxes should be disclosed where applicable.

Strategic report

The strategic report must be 'fair, balanced and comprehensive'. Including covering all aspects of performance, economic uncertainty and significant movements in the primary statements.

Companies should ensure they comply with all the statutory requirements for making distributions and repurchasing shares.

Fair value measurement

Explanations of the valuation techniques and assumptions used should be clear and specific to the Council/Authority.

Significant unobservable inputs should be quantified and the sensitivity of the fair value to reasonably possible changes in these inputs should provide meaningful information to readers.

Thematic reviews

The FRC has issued three thematic reviews this year: 'Reporting by the UK's largest private companies' (see below), 'Offsetting in the financial statements', and 'IFRS 17 Insurance contracts –Disclosures in the first year of application'. The FRC have also performed Retail sector research (see below).

UK's largest private companies

The quality of reporting by these entities was found to be mixed, particularly in explaining complex or judgemental matters. The FRC would expect a critical review of the draft annual report to consider:

- internal consistency
- whether the report as a whole is clear, concise, and understandable; notably with respect to the strategic report
- whether it omits immaterial information, or
- whether additional information is necessary for the users understanding particularly with respect to revenue, judgments and estimates and provisions

Retail sector focus

Retail is a priority sector for the FRC and the research considered issues of particular relevance to the sector including:

- Impairment testing and the impact of online sales and related infrastructure
- Alternative performance measures including like for like (LFL) and adjusted e.g. pre-IFRS 16 measures
- Leased property and the disclosure of lease term judgements, particularly for expired leases.
- Supplier income arrangements and the clarity of accounting policies and significant judgements around measurement and presentation of these.

2024/25 review priorities

The FRC has indicated that its 2024/25 reviews will focus on the following sectors which are considered by the FRC to be higher risk by virtue of economic or other pressures:

- Industrial metals and mining
- Construction and materials
- Food producers
- Retail
- Gas, water and multi-utilities
- Financial Services

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KPMG's Audit quality framework

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

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

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

Commitment to continuous improvement

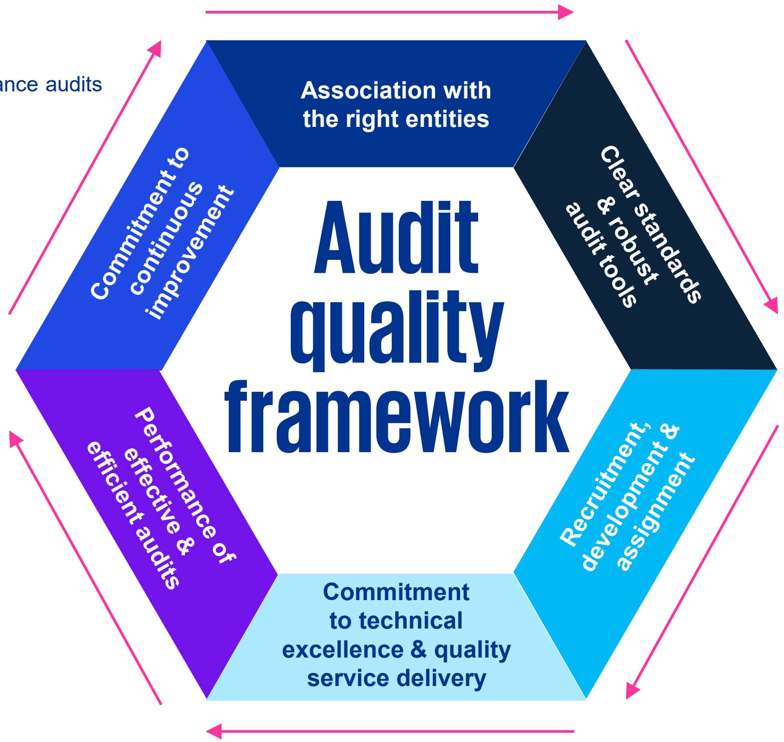
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

Performance of effective & efficient audits

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

Commitment to technical excellence & quality service delivery

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



Association with the right entities

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

Clear standards & robust audit tools

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

Recruitment, development & assignment of appropriately qualified personnel

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

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Document Classification: KPMG Confidential

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DRAFT Auditor's Annual Report for Southwark Council

Year-ended 31 March 2025

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19 November 2025

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Our audit reports will be made solely to the members of Southwark Council (the Council), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the members of Council, as a body, for our audit work, for our auditor's reports, for this Auditor's Annual Report, or for the opinions we have formed.

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

01

Executive Summary

Executive Summary

DRAFT

Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of Southwark Council (the 'Council'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office (the 'Code of Audit Practice') and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) ('ISAs (UK)') include the following:

Financial Statements - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of the Council and of its income and expenditure during the year and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2024/25 ('the CIPFA Code').

Other information (such as the narrative report) - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the Council.

Value for money - To report if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.

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

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

Findings

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

Financial statements	We plan to issue an unmodified opinion on the Council's financial statements. This means that we believe the financial statements give a true and fair view of the financial performance and position of the Council. Additionally, we are the auditor of Southwark Pension Fund's financial statements. We plan to issue an unmodified opinion on these financial statements. We have provided further details of the key risks we identified and our response on pages 8 and 9.
Other information	We did not identify any material inconsistencies between the content of the other information, the financial statements and our knowledge of the Council.
Value for money	Our work to assess the arrangements the Council has put in place to secure economy, efficiency, and effectiveness in the use of its resources is underway. Further details of our findings to date are set out on page 11.
Whole of Government Accounts	We are required to perform procedures and report to the National Audit Office in respect of the Council's consolidation return to HM Treasury in order to prepare the Whole of Government Accounts. As the National Audit Office has not yet concluded its audit of the Whole of Government Accounts for the 31 March 2025 financial year, we are unable to confirm that we have concluded our work in this area.
Other powers	See overleaf.

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Executive Summary

DRAFT

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

Public interest reports

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

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

As at the date of this report, we have not issued a Public Interest Report this year

Judicial review/Declaration by the courts

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

As at the date of this report, we have not applied to the courts.

Recommendations

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

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

As at the date of this report, we made no recommendations under Schedule 7 of the Act.

As at the date of this report, we have not raised any other recommendations.

Advisory notice

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

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

As at the date of this report, we have not issued an advisory notice this year.

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

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02

Audit of the financial statements

Audit of the financial statements

DRAFT

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

- Give a true and fair view of the financial position of the Council as at 31 March 2025 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

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

Our audit opinion on the financial statements

We plan to issue an unmodified opinion on the Council's financial statements following approval of the financial statements by the Audit, Governance & Standards Committee.

Additionally, we are the auditor of Southwark Pension Fund's financial statements. We plan to issue an unmodified opinion on the pension fund financial statements following approval of the financial statements by the Audit, Governance & Standards Committee.

The full audit reports will be included in the Council's Annual Report and Accounts for 2024/25 which will be obtainable from the Council's website.

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

Audit of the financial statements: Council

DRAFT

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

Valuation of council dwellings

Councils are required to revalue their land and buildings on a cyclical basis. Due to the nature of the valuation process, a small change in an assumption or judgement can have a significant impact on the valuation reached.

The Council has a large number of dwellings valued at £5.7bn, so a small error in the valuation approach could have a significant impact on the valuation recorded.

Our procedures

We performed procedures including:

- Using our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the determined value, and
- Considering the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Our findings

We completed the procedures as described and we did not identify any material misstatements relating to this area.

Management override of controls

Auditing standards require us to identify a significant financial statement audit risk linked to fraudulent manipulation of the financial statements.

This is because management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our procedures

We performed procedures including testing accounting entries posted into the ledger which meet a heightened risk profile, such as journals which transferred costs out of the housing revenue account and into the general fund.

Our findings

We completed the procedures as described and we did not identify any material misstatements relating to this area.

Valuation of post retirement benefit obligations

The Council is a member of the Southwark Pension Fund, a Local Government Pension Scheme. Accounting standards require that the value of the liabilities to be paid to current and future pensioners.

The valuation of these liabilities is subject to complex actuarial judgements and assumptions. This means that a small change in an assumption or judgement can have a significant impact on the valuation reached.

Our procedures

We performed procedures including:

- Challenging, with the support of our own actuarial specialists, the key assumptions applied in the calculation of the liability, such as the discount rate used, and
- Considering the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Our findings

We completed the procedures as described and we did not identify any material misstatements relating to this area.

Audit of the financial statements: Pension Fund

DRAFT

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

Value of directly held investment property

The pension fund invests in a variety of assets to generate the funds required to meet obligations to pensioners. One such asset is investment property, where the fund both benefits from cash generated from rental income, and also from capital appreciation when the investment property assets are sold.

Pension funds are required to revalue investment properties each year in order to ensure that the net assets of the fund accurately reflect the value that can be realised. The value is large and is dependent on assumptions. This means that a small change in an assumption or judgement can have a significant impact on the valuation.

Our procedures

We performed procedures including:

- Using our own valuation specialists to review the valuation report prepared by the fund's valuers to confirm the appropriateness of the determined value, and
- Considering the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Our findings

We completed the procedures as described and we did not identify any material misstatements relating to this area.

Management override of controls

Auditing standards require us to identify a significant financial statement audit risk linked to fraudulent manipulation of the financial statements.

This is because management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our procedures

We performed procedures including testing a sample of accounting entries posted into the ledger.

Our findings

We completed the procedures as described and we did not identify any material misstatements relating to this area.

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03

Value for Money

Value for Money

DRAFT

Introduction

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

- **Financial sustainability**: How the Council plans and manages its resources to ensure it can continue to deliver its services.
- **Governance:** How the Council ensures that it makes informed decisions and properly manages its risks.
- **Improving economy, efficiency and effectiveness:** How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We do not act as a substitute for the Council's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We are also not required to consider whether all aspects of the Council's arrangements are operating effectively, or whether the Council has achieved value for money during the year.

Approach

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

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

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

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council.

Summary of findings

Our work in relation to value for money is not complete. Matters set out here may change upon the completion of our work.

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	13 – 16	17 – 22	23 – 24
Identified risks of significant weakness?	✗ No	✓ Yes	✗ No
Actual significant weakness identified?	✗ No	TBC	✗ No
2023-24 Findings	Significant weakness identified	Significant weakness identified	Significant weakness identified
Direction of travel Upwards: Increase in risks or weaknesses	↘	TBC	↘

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Value for Money

DRAFT

National context

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

Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Whilst the Government has indicated an intention to restore multi-year funding settlements, giving Councils greater certainty and ability to make longer-term investment decisions, the Government has also proposed linking grant funding to deprivation. Analysis by London Councils argues that London Boroughs will see the largest funding losses whilst also experiencing significant financial pressure. The Institute of Fiscal Studies has found that inner London boroughs are, in particular, set to lose substantial sums.

Education

Many schools are now the responsibility of academy trusts, however some schools are still controlled and overseen by the local Council. Dedicated funding is provided by central government to run schools, however due to cost pressures many Councils have overspent against their central government allocation, particularly in relation to “high needs” expenditure (i.e. to support students with special educational needs and disability (SEND)). Government guidance is awaited on children's services reform and SEND, and some authorities are delaying transformation programmes until there is clarity on how services should evolve.

An accounting override exists meaning Councils do not need to recognise schools' deficits as part of their reserves which, for some, avoids Councils becoming insolvent. This override was extended to March 2028. However, some have raised concerns that this extension only defers the problem, and the underlying unsustainability of education expenditure has not been resolved.

Housing

Landlords, including Councils, are required to take action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made. The Regulator of Social Housing has also raised frequent concerns regarding the ability of Councils to comply with their consumer standards, in particular around treating tenants fairly and ensuring homes are safe. This has increased the cost of compliance, whilst housing budgets remain under significant financial strain. At the same time, Councils are also experiencing significant financial pressure in temporary accommodation budgets, due to high demands on services and difficulty in obtaining suitable accommodation.

Local context

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

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

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

The Council is taking action to improve the financial sustainability of its housing, whilst also responding to an adverse regulatory judgement by the Regulator of Social Housing announced during the financial year.

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

Over recent years, the Council has taken a strategic decision to in-source services previously delivered by third parties. The Council has now integrated leisure services following in-sourcing during 2023/24.

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Financial Sustainability

DRAFT

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

We have considered the following in our work:

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

Budget setting and financial outturn

For 2024/25, the Council set a net (i.e. costs less fees, charges, and service-specific grants) general fund budget of £355m. Outturn was £373m, the difference in which was driven primarily through demand on temporary accommodation budgets on account of the number of homeless individuals and families in the borough (and London more broadly). Some of the overspend was met through planned use of earmarked reserves, however the Council was required to use £5.3m of contingency funds, an increase from £1.4m in the prior period.

Whilst the increase in contingency use demonstrates the significant financial pressures faced by the Council, the low value of contingency as a percentage of the net outturn (1.4%) demonstrates that the Council set an achievable budget and managed its financial risks well throughout the year.

The Council's refreshed medium term financial strategy (MTFS) for 2024-25 through to 2026-27, as submitted to February 2025's Cabinet meeting showed no unidentified savings requirements, down from £11m in the February 2024 refresh, although this excludes the potential impact of funding reform on the Council's finances as they were unknown at the time of preparing the MTFS. This reduction the Council initiating a significant transformation programme, as set out in the "Savings plans" section.

Savings plans

Like all organisations, the Council is required to identify savings so it can set a balanced budget. Consistent with the prior period, the Council categorises savings plans into efficiencies, where officers do not believe there will be an impact in the quality of service delivery, income generation plans, where income can be generated either through charging for a service which was previously free or increasing a charge, and cost reduction plans which impact on the services provided to residents.

The Council has acknowledged that financial savings are becoming increasingly difficult to identify and implement. This is not unique to the Council – many public sector bodies have already implemented all but the most challenging savings to identify and ongoing demand pressures mean there are fewer opportunities to generate further efficiencies.

The Council has therefore initiated cross-Council transformation programmes, as reviewing the way teams work together or use technology are likely to generate substantial savings in the longer-term, but may require upfront investment. An example includes the upgrade and replacement of its finance system, as the age of the system enforces antiquated and inefficient working practices. Achievement of these savings will be essential in ensuring the Council remains financially sustainable following anticipated reductions in grants following planned changes to how local government is funded.

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Financial Sustainability

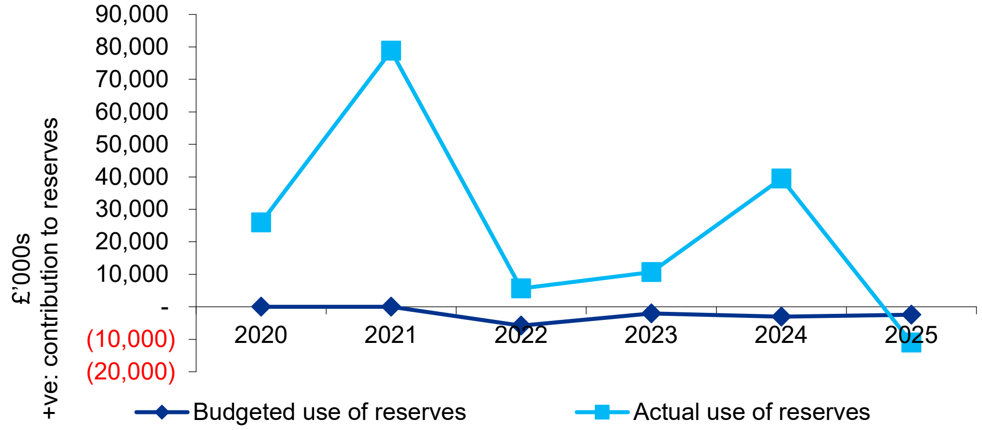
DRAFT

Owing to how critical these transformation programmes are to the Council's financial sustainability and quality of services, the Council will need to ensure it has developed effective governance arrangements to ensure these programmes are effectively delivered and reported to members. Consistent with the prior year, for routine savings programmes we could not see how savings plans were monitored for effectiveness either from the perspective of achieving the required savings or not having a worse-than-expected impact on quality. However, owing to the Council's financial strength and effective outturn against budget and the fact the Council is moving away from piecemeal savings, we do not believe this is a significant issue.

Reserves

Councils are required by law to not deplete their reserves. The principal reserve for a Council is the general fund, which is used to meet day to day expenditure. Owing to the financial pressures set out earlier, and planned uses of reserves for investments in services, the Council's overall general fund balance fell by £11m during 2024-25 (£32m increase during 2023-24).

The size of the reserves means the Council continues to have ample buffer to respond to unexpected financial pressures and challenges and therefore we have not identified any financial sustainability risks. However, the Council will need to ensure it achieves savings plans (including transformation programmes) to minimise the likelihood of a significant pressure on reserves through a deterioration in the financial position. This is pertinent noting the risk of funding reductions in future years following central Government funding reforms.



Key financial and performance metrics:	2024-25	2023-24
Planned surplus/(deficit), excluding HRA*	-	-
Actual surplus/(deficit), excluding HRA*	(5,325)	(1,429)
Planned HRA surplus/(deficit)	-	-
Actual HRA surplus/(deficit)	3,909	(2,537)
Usable reserves	503,438	434,364
Gross debt compared to the capital financing requirement	0.63 : 1	0.63 : 1
Year-end borrowings	1,168,786	1,096,438
Year-end cash position	50,857	34,530

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

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

** After use of reserves.*

Financial Sustainability

DRAFT

Housing Revenue Account

Over the past few years, the Council has experienced financial pressure within the Housing Revenue Account (HRA), a ring-fenced fund for income and expenditure relating to the provision of social housing. Like with the general fund, there is a legal requirement to ensure the HRA reserve is not depleted. At 31 March 2025, the HRA reserve sits at £21m which is considered small for a Council of this size. However, it is an increase of £4m since 2023-24.

The Council's HRA pressures have been driven by a variety of factors, including:

- Inflation, in particular the impact on repairs and maintenance expenditure;
- Below-inflation rent increase caps; and
- Building safety risks, such as those linked to fire and damp, requiring remedial work.

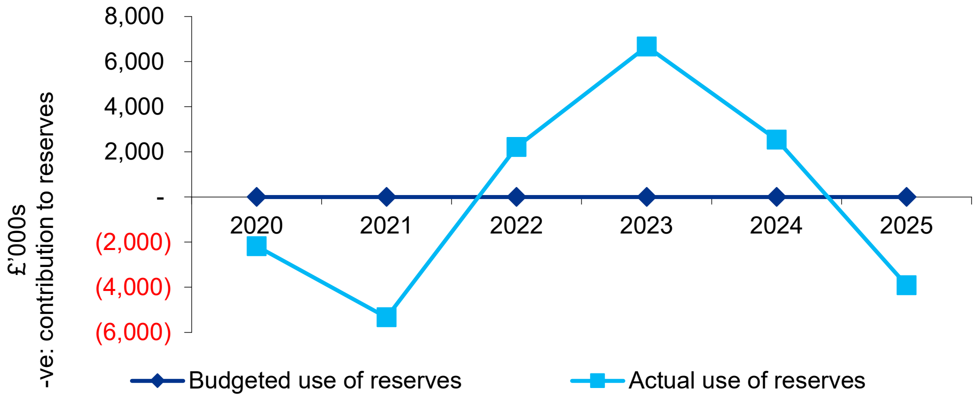
The Council has been criticised by the Regulator of Social Housing (RSH) in relation to a variety of issues (see later) including building safety. The Council has identified that a significant proportion of homes (c. 30%) are not meeting the decent homes standard although the exact proportion in this condition is unknown due to a lack of an up to date stock condition survey.

This means there is a risk the Council has an incomplete picture of the work required to remediate all safety issues and other defects in homes. However, based on a pilot survey the Council does not believe there are any significant issues it is not already aware of because the pilot results were consistent with the Council's own expectations.

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

Furthermore, as a landlord developing new homes, the Council is also exposed to high interest rates as debt is taken out from the PWLB (a Treasury service) to fund the construction of new homes. To this end, the Council has been pairing back its new homes programme as it is not considered financially viable. The Council is looking at alternative delivery models to build new homes, such as purchasing social homes from developers building housing estates, and is exploring how it could work with central Government to fulfil its housebuilding ambitions.

The trend in HRA balances over time is set out below. This shows how the HRA reserve is starting to be rebuilt, however the Council is not yet in a position where the HRA is financially sustainable.



The Council introduced a HRA recovery plan to support rebuilding the HRA into financial health. The first year of the plan has been successful, as seen in the graph above. The HRA surplus was driven primarily through rigorous cost control, disposal of uneconomic assets, and higher income from charges as compared to budget, with the surplus re-invested in homes and so reducing the need to borrow (and hence incur interest charges). Whilst the surplus is positive, some of the contributory factors are non-recurrent in nature (for instance the income was primarily due to one-off collection of service charges) and therefore there is a risk of deficits reemerging in the future.

The early years of the recovery plan focus on cost control whilst borrowing to improve the standard of homes. In later years of the plan there is focus on repaying debt. Therefore, the performance in the year is consistent with the plan, which was adequately communicated through the governance structure during the year. Whilst the Council has been able to manage the position to date, with the financial sustainability challenge it faces the Council will need to continue its focus on cost control to bring the HRA into a recurrent and sustainable surplus position.

Overall, we have not identified any risks that arrangements to ensure financial sustainability may be inadequate.

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Value for Money: Recommendations

DRAFT

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

#	Issue, Impact and Recommendation	Update as of October 2025
1	The Council has developed an HRA Recovery Plan as a mechanism to bring the HRA back into financial health. We have established that the Plan is dependent on non-recurrent measures in the short term, in particular through borrowing. Whilst the Council is aiming to reduce costs to build recurrent savings into the HRA there is a risk that, should these savings not materialise, the Council will need to take further non-recurrent action. Furthermore, the Regulator of Social Housing (RSH) has identified that the Council does not have an up-to-date stock condition survey for its housing, meaning that the Council does not have a clear picture of the maintenance obligation it has to ensure its housing is in a good state of repair. The RSH also noted that a substantial portion of the Council's housing does not meet the Decent Homes Standard, a regulatory requirement for social housing. Rectifying any maintenance backlog, and ensuring homes meet the Decent Homes Standard is a substantial financial burden for the Council, and is a cost pressure which will impact the HRA recovery plan, particularly as there is a short-term need to borrow to fund asset management costs. We recommend that the Council clearly reports through its governance structure whether the required recurrent savings in the HRA recovery plan are being achieved, and whether the progress required to bring the HRA into financial health is being achieved. This reporting should also clearly show the impact and financial mitigation of any works required once a stock condition survey is completed.	**This recommendation has been implemented.** The Council's internal reporting, in particular regular reporting to Cabinet clearly demonstrates the action being taken against each of the elements of the HRA recovery plan (i.e. cost reduction, borrowing, disposal of surplus assets) and progress being made against each of the financial targets set. The Council, however, has not yet reported on the likely impact of its maintenance obligation once it has completed its stock condition survey. This survey has not yet been performed, although we understand the Council has commissioned it and it will take time to complete due to the size of the estate. The Council has told us that a pilot survey has been undertaken with the findings consistent with officers' own views on stock condition, i.e. there have not been any unexpected findings in respect of stock condition that have been identified to date. We are therefore of the view that the Council will need to report on stock condition, and the impact on financial sustainability as part of future reporting through its governance structure. However, the most pressing and imminent risks in respect of financial sustainability are being monitored, managed, and reported on and therefore we are content to close with recommendation. Notwithstanding the above, owing to the partially non-recurrent nature of the surplus generated in 2024-25, the Council will need to continue rigorously controlling costs and get to a position of a recurrent, sustainable surplus in line with the timescale set out within the recovery plan. As the Council has now taken better control of the financial sustainability of the HRA through the implementation and governance of the HRA recovery plan and has initiated plans to obtain a stock condition survey, we have not identified a significant weakness in respect of financial sustainability arrangements this year.

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Governance

DRAFT

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

We have considered the following in our work:

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

Risk management

The Council has a risk management procedure which is in line with what we would typically see across the public sector. Risks are grading in line with a methodology typical in the sector. Risks are assessed against a variety of impact factors, including the impact to legal compliance, reputation, and quality of customer service. This allows the Council to ensure it captures and manages risk covering the breath of the Council's operations. Risks are also aligned against the Southwark 2030 priorities, allowing the Council to identify where risks may present challenges in delivering the strategy.

Risks are reported on an annual basis to the Audit, Governance, and Standards Committee. This ensures democratic oversight of the risks faced by the Council and an opportunity for members to compare risks against the assurances they receive through other sources. Good practice would involve the strategic risk register also being reported to Cabinet.

The Council's key risks as at January 2025 included:

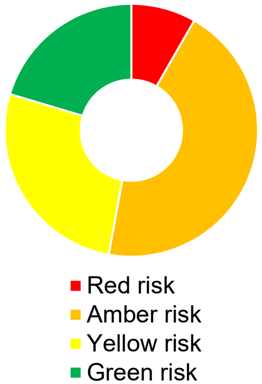
- Financial pressures in the housing revenue account;
- Asset management and building safety;
- Cyber security;
- Medium term financial planning, including the impact of funding reform; and
- Failure of key providers and partners.

We note the risks identified are consistent with the pressures faced by the Council, including alignment to significant value for money risks in this report. The Council has also identified the impact of building safety as a risk, which is appropriate considering the action the Council is taking in response to an adverse regulatory inspection (see later) and ongoing sectoral focus on the safety of homes.

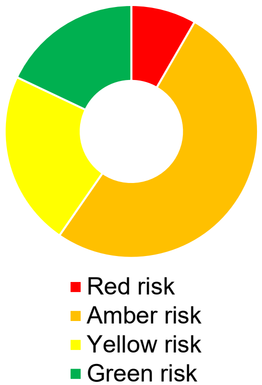
The report shows an increase in the overall severity of risk at the Council, see right, reflecting the uncertainty triggers by ongoing financial pressure, regulatory oversight (in particular in relation to building safety), and funding reform.

We understand the Council's approach is to maintain departmental risk registers which are collated within the central risk IT system and used to prepare this annual report.

January 2024



January 2025



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Governance

DRAFT

Governance structures

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

Decision making

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

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

The Cabinet's decision-making process is in line with what we typically see at a local authority. Proposals are set out in papers, which set out the rationale for the proposed way forward, any alternatives), the outcome of any consultations, and then an impact assessment containing a variety of factors such as on community, climate, equalities, finances, and legal.

We reviewed a decision to make a compulsory purchase of homes at the Tustin Estate which clearly set out these factors and therefore provided the basis for the Council's decision to demolish the estate and build new homes in its place.

The Council's decision-making process is designed to trigger member involvement both when required by legislation, but also where there are qualitative or quantitative factors which mean the decision is significant. For instance, any write-off of bad debt over £50,000, consideration of procurement reports (see next section), or granting/withdrawing financial support to businesses or individuals in excess of £10,000 all require approval by Cabinet. This ensures that there is appropriate scrutiny of decisions which have a significant qualitative or quantitative impact on operations.

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	2024-25	2023-24
Governance issues reported in the Annual Governance Statement	4 issues identified, relating to: RSH regulatory inspection; TMO governance; school financial sustainability; cyber security; and ERP replacement programme.	2 issues identified, relating to: LGA peer review and cyber security.
Head of Internal Audit Opinion	Moderate assurance	Moderate assurance
Ofsted rating	No inspection of services in year	No inspection of services in year
Local Government Ombudsman findings	52 upheld complaints	27 upheld complaints
Housing Ombudsman findings	42 cases of maladministration or severe maladministration	28 cases of maladministration or severe maladministration
Care Quality Commission rating	No inspection of services in year	Good (Orient St Adult Respite Unit)

Governance

DRAFT

Tenant Management Organisations (TMOs)

A TMO is an organisation set up to allow leaseholder involvement in the management of their estate, with the TMO procuring maintenance works on the Council's behalf. The relationship between a TMO and the council is governed by a Modern Management Agreement (MMA).

During the 2023-24 Auditor's Annual Report, we reported a significant weakness in arrangements to manage TMOs on account of a failure of the Council to adequately monitor the performance of TMOs and ensure they complied with their contractual obligations to the Council.

We found that:

- Monitoring arrangements for TMOs did not cover all the matters the Council ought to have considered in line with the TMOs' obligations under their MMAs;
- There were consistently weak arrangements at individual TMOs identified and reported on by Internal Audit, suggesting pervasive weaknesses in governance; and
- At one particular TMO, Fair Community Housing Services, the TMO was found to have spent funds intended for cyclical decorations on other activities. An action plan was developed to prevent similar issues occurring in the future, however we could not identify sufficiently developed governance arrangements to ensure those actions were implemented. That particular TMO has since been deregistered by the Financial Conduct Authority due to non-compliance with Community Benefit Society legislation in respect of financial compliance.

During 2024-25, the Council has started to implement improvements in governance arrangements for TMOs. Specifically in relation to the cyclical decorations activity, the Council engaged forensic accountants to examine whether that TMO acted fraudulently and concluded it did not. The Council was also able to recover some, but not all, of the funds paid over for cyclical works to that particular TMO (and one other).

In respect of TMO compliance more broadly, the Council has set up a new TMO governance team to ensure that contractual obligations are met in the future. This includes the development of a contract monitoring checklist in collaboration with Internal Audit.

As an example, the Council's new governance arrangements, as well as Internal Audit, identified a significant breach of the MMA at Cooper Close TMO, where the TMO was found have not submitted audited accounts, as well as weaknesses in respect of procurement, management of rents and arrears, human resources, and financial controls. The Council stated that it considered controls and governance to be significantly improved at that TMO following its intervention based on its continued engagement with the TMO.

In respect of cyclical decorations, the Council has identified eight TMOs where the TMOs were in poor financial health on account of the low level of reserves as compared with accumulated funds for cyclical decorations. The Council stated it has commissioned a review to decide the way forward in respect of these TMOs, however the findings have not yet been communicated to Audit, Governance and Standards Committee to provide independent challenge as to whether governance arrangements are sufficiently mature.

Notwithstanding the above, we are satisfied that no significant value for money risk has arisen this year. This is because the Council, whilst clearly embedding its new governance processes in respect of TMOs, has adequately implemented new arrangements to monitor TMOs. There continue to be issues related to TMOs however the Council is embedding mechanisms which are identifying these issues so that action can be taken. The Council has the procedures to both monitor and identify TMO risks itself, and to subject itself to scrutiny by members to help ensure TMOs are operating effectively and delivering good services to residents

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Value for Money: Recommendations

DRAFT

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

#	Issue, Impact and Recommendation	Update as of October 2025
1	We identified that the Council has no robust or structured process for how TMOs are monitored. We found arrangements to be informal, with review meetings (where performed) not aligned with the requirements set out in management agreements. The Regulator of Social Housing (RSH) has identified that the Council's arrangements for managing tenant management organisations (TMOs) more widely is insufficient and raised this as a matter of concern within their regulatory judgement published in December 2024. This indicates that the Council has not implemented sufficient measures to improve controls over TMOs following the findings raised in previous years' audits. Aside from matters raised in previous periods, if the Council does not improve its arrangements in relation to TMOs, there is now an increased risk of regulatory action being taken against the Council. We recommend that the Council develops a formal monitoring and oversight arrangement in place for how the Council monitors the performance of and relationship with TMOs, aligned with the contractual terms of the management agreements. We further recommend that the Council updates its action plan in relation to TMOs to ensure it considers all matters raised through routine internal audit inspections over the course of 2023/24, any other issues brought to the Council's attention from tenants and leaseholders, and any matters which have arisen following the RSH inspection. We finally recommend that, in the interest of transparency and good governance, the Council should present progress against its action plan through its governance structure, for instance through Audit, Governance and Standards Committee or through Overview and Scrutiny Committee.	**These recommendations have been implemented** As set out on the previous page, the Council has now developed a new approach to monitoring the effectiveness and compliance of TMOs. In doing this, the Council has developed a monitoring arrangement in collaboration with Internal Audit which would therefore take into account the findings Internal Audit raised from previous reviews. Owing to the new nature of these governance arrangements, the Council's processes are still embedding and therefore are expected to be operating as business-as-usual l in the next financial year. The Council has stated publicly the changes it has made and initial findings in a paper to Audit, Governance and Standards Committee in February 2025. However, on account of the significance and severity of the issues raised, the Council should report regularly on findings and progress until it is satisfied that TMOs are routinely complying with their contractual obligations. The most severe issues raised were in relation to cyclical decorations, where TMOs received funds which were then not spent for their intended purpose. The Council has identified several TMOs where there is a risk of financial failure as the TMOs do not have the reserves to either perform the works to which they have been paid, or to return the funds. The Council should set out what action it is taking in respect of these TMOs so there is public scrutiny as to how the Council will ensure issues raised previously do not reoccur. The Council should also set out how it indents to ensure overdue cyclical works are performed at properties where TMOs have not performed works to which they have been paid. This is to ensure that residents have confidence that TMOs will comply with their contractual obligations going forward.
5	*Raised prior to 2023-24* The Council should ensure that it fully implements the agreed actions following Internal Audit's consideration of governance arrangements for funding and monitoring the activities of the Fair Community Housing Services (FCHS) Tenant Management Organisation (TMO).	

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Governance

DRAFT

Major Works

The Council undertakes major works to improve the quality of its housing estate. This is in the form of the "Quality Homes Improvement Programme" or QHIP. The nature of major works will vary from estate to estate depending on the condition of each set of homes.

During the 2023-24 Auditor's Annual Report, we reported a significant weakness in arrangements to govern major works schemes, specifically in relation to schemes at Devon Mansions and Canada Estate.

This was because the Council undertook a "hands off" approach to managing contractors, delegating responsibility to agents who did not adequately discharge their duties to the Council. The Council also did not monitor and oversee the works performed effectively as they did not always physically inspect the works on site.

As a consequence, the Council could not ensure that works were being completed in an effective and economical manner, which may have resulted in either poor quality works or financial resources spent in an ineffective manner.

The estates where the deficiencies arose in the prior period were in relation to schemes which had, other than rectification of quality issues, been completed. The Council informed us that it had made improvements to its arrangements for managing QHIP schemes and has performed one scheme during 2024-25 where these new arrangements were in place.

The Council has not obtained independent verification as to whether these improvements will rectify the issues raised during the Devon Mansions and Canada Estate schemes, and therefore the Council must ensure these improvements are operating effectively before rolling them out onto schemes more broadly.

We are also aware of further matters which came to light in respect of non-compliance with procurement regulations as part of the above schemes. A review by the Council identified that the value of these schemes exceeded the values approved as part of the procurement exercise of around 50-75% depending on the scheme, and the Council's arrangements for contract extensions were not followed.

With this in mind we have identified a significant risk that there may be weaknesses in the governance arrangements that the Council has in place to help secure value for money because of the issues associated with the monitoring and management of major works schemes. Furthermore, the identification of breaches of procurement regulations may mean the improvements made for the major works scheme during 2024-25 may not completely address all the issues that exist in the process.

We have also received an objection to the 2024-25 financial statements in respect of this matter. Consequently the matter remains under investigation and we are not, at this stage, able to reach our conclusions for this risk. We will report our findings at a later date. We will also report our findings in relation to the recommendations raised in the prior period at a later date.

Regulator of Social Housing

During 2024-25, the Regulator of Social Housing (RSH) issued the Council with a C3 rating in respect of the Council's compliance with the regulator's Consumer Duty. This reflected a variety of reasons, including lack of electrical safety tests, a large proportion of homes being non-decent, the Council's housing allocation policy and the issues noted previously regarding TMOs, amongst other reasons.

The deterioration in performance has also been borne in the increase in Local Government Ombudsman and Housing Ombudsman findings, the vast majority of which relate to allocations and building condition and associated complaint handling respectively.

C3 is a non-compliant grading, with C1 being the best grading and C4 being the worst. Councils were not previously subject to RSH grading, and therefore many Councils are receiving poor gradings now they are within scope of inspection.

We have identified a significant risk that arrangements to secure good governance are weak because of the potential that arrangements have not been developed to rectify the issues identified. We have set out our findings overleaf.

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Significant Value for Money Risk

DRAFT

The risk

During 2024/25, the Council received a damning judgement from the Regulator of Social Housing, raising several concerns including, but not limited to, building safety concerns; unfairness in the housing allocations policy; and poor governance of TMOs.

At the time the RSH decided not to take enforcement action against the Council because there was a clear commitment by the Council to putting things right.

However, if the Council does not have an adequately governed arrangement to improve its housing service, there is a risk of future penalty by the RSH, as well as a worsening quality of service for Southwark residents.

We have therefore identified a significant VFM risk that the Council may not have appropriate governance arrangements in place to ensure the successful resolution of the RSH's concerns.

Our response

Assess the governance arrangements the Council has implemented to respond to the RSH's findings. Assess whether there is an adequately developed action plan, including clear actions with monitoring to ensure they are successfully implemented.

The Council has developed an improvement plan in respect of the issues raised by the RSH. This is called the "Housing Improvement Plan" (the Plan). Whilst there were various matters which triggered the overall C3 grading, the two most significant issues were:

- A significant number of homes do not meet the required standards on either individual safety elements – e.g. Gas Safety & Fire – or overall decency.
- The way the council allocates its homes could be more transparent. The current allocations policy was last refreshed in 2013.

We note that the Council has fully accepted the findings raised by the RSH, and has committed publicly to making improvements.

Governance arrangements

The Council has established a Housing Improvement Board, which has overall responsibility for monitoring the overall progress of the Plan. This is supported by individual programme boards for specific workstreams within the Plan, and forums to engage with residents. The Board also feeds into the HRA recovery board, charged with restoring the HRA to financial health, and so is appropriate that the Council ensures improvements to operational performance does not affect financial performance and vice-versa.

Action Plan

Each workstream within the Plan is linked to an overall theme, such as ensuring "all repairs are completed on time to a good standard". There are a specific set of actions against each theme, with overall status monitored. Where status is behind plan, specific detail is given on the action being taken to get back on plan. This is in line with what we typically see in such plans.

The Plan also sets out specific actions and progress made to improve on the specific themes raised by the RSH. For instance, the Plan sets out the estimates to being fully compliant in respect of electrical safety certificates, smoke alarms, and fire risk assessments. There are similarly specific actions in place regarding updates to the allocations policy.

Communication with the RSH

We note that the Council has engaged with the RSH on the development and monitoring of the Plan. Whilst it is too early to see if the Plan will deliver the improvements required by the RSH, the ongoing dialogue is an appropriate measure to support successful delivery.

Our conclusion

Based on our findings, we have determined that a significant weakness in arrangements to ensure good governance has not arisen. Whilst this is not a guarantee that the Council will be able to obtain a compliant grading from the RSH, we have seen evidence that the Council has adequately developed an action plan to rectify the issues raised by the RSH, the action plan contains relevant actions, and there is appropriate governance to ensure its successful delivery.

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Improving economy, efficiency and effectiveness

DRAFT

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

We have considered the following in our work:

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

Cost benchmarking

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

The Council is aware of the imminent financial pressure that is likely to be caused by funding reform. The Council has initiated various transformation programmes to ensure it remains financially sustainable (see earlier). The Council should consider identifying unit costs for services to see how it compares to its peers to ensure that any service redesign transformation takes into account best practice seen elsewhere in the sector.

Procurement

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

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

The approach to procurement set out above helps to ensure the Council buys goods and services in an economical manner – this is because there is scrutiny of the procurement approach and therefore opportunity for challenge to ensure a best value approach is taken. However, these processes are only effective if the Council complies with them. As set out in the Governance section, there has been evidence indicating that contract variation/extension arrangements may have been breached in respect of certain major works schemes in the past. We have not identified any evidence that there have been any such breaches during 2024-25, either in relation to major works or otherwise, but the Council will need to ensure it is satisfied that its procurement rules are complied with on an ongoing basis.

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Improving economy, efficiency and effectiveness

DRAFT

Tender waivers

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

Most public sector organisations subject tender waivers to review and approval by a separate part of the governance structure to ensure parties approving waivers are appropriately discharging their duty. This can be done either retrospectively or prospectively.

The Council told us that it does not have a single register of all waivers approved and consequently there is no review of tender waivers by any one body or forum. The Council reported to Audit, Governance and Standards in February 2025 that it will run a pilot during 2025-26, with a view to rolling this out cross-council from Q1 of 2026-27, and progress work to integrate the process.

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

Once done, the Council will be in a place to assess if the extent of its waivers are in line with its peers, or if there is an opportunity to generate efficiencies by reducing the number of waivers.

Operational performance

The Council restarted its performance monitoring division during 2023-24, meaning this is the first year that arrangements will have been in place for the full year. The Council has developed a suite of Key Performance Indicators (KPIs) which are reported on a quarterly basis to the Corporate Management Team (CMT). These KPIs are aligned to individual commitments set out in the Council Delivery Plan, which has been refreshed to reflect the Southwark 2030 strategy.

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

As an improvement from last year, the red and amber KPIs (reflecting either at risk, or in progress but experiencing challenges respectively) also set out explanations for what is driving poor performance, and what action is being taken to ensure the KPIs return to being green rated (on track). The granularity as to how the metrics are monitored is improved compared to last year, which only set out whether the commitment was against target and did not consider future trajectory or risk in the same way.

As at Q2, the breakdown of commitments were as follows, showing that the Council was effectively delivering its plans:

- **42 delivered (24.2%)**
- **95 on track (54.9%)**
- **12 to be delivered post 2026 (6.9%)**
- **13 in progress but have experienced challenges or delays (7.5%)**
- **3 at risk (1.7%)**
- **8 decommissioned by agreement (4.6%).**

Consistent with the prior year, the KPI report was not reported to either Cabinet or Overview & Scrutiny Committee, which puts the Council out of line with its peers. We believe it is important for there to be democratic oversight of the Council's performance and commitment to residents, and for the Council to be consistent with good practice we see elsewhere in the sector.

Overall, we have not identified any risks that arrangements to secure economy, efficiency, and effectiveness may be insufficient.

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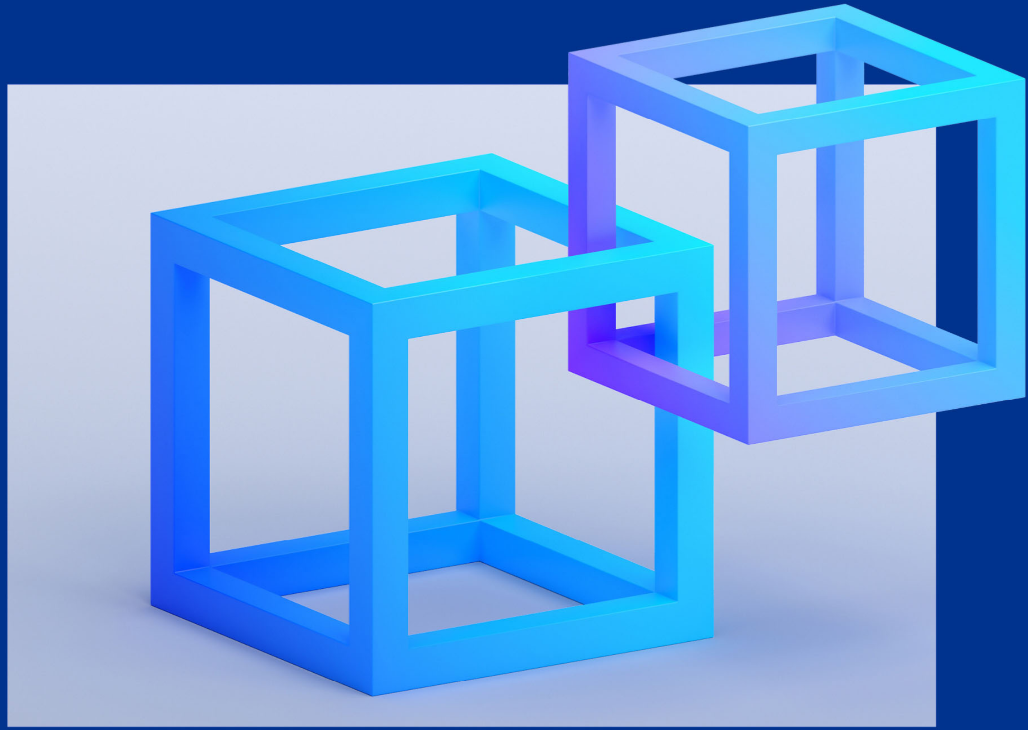
London Borough of Southwark Pension Fund

Year End Report to the Audit, Governance and Standards Committee



Year end report for the year ended 31 March 2025 DRAFT

19 November 2025

Introduction

To the Pension Fund Committee of London Borough of Southwark Pension Fund

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

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented on 02 June 2025. We will be pleased to elaborate on the matters covered in this report when we meet.

How we deliver audit quality

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

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

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

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

We are committed to providing you with a high-quality service. If you have **any** concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact me (Fleur.Nieboer@kpmg.co.uk), the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler. (tim.culter@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access KPMG's complaints process here: Complaints

Subject to the approval of the statement of accounts, we expect to issue an unmodified Auditor's Report.

There have been no significant changes to our audit plan and strategy except the materiality numbers. Materiality in the audit plan was based on total assets as per the 31 March 2024 audited accounts; however, it was updated using revised balances as per the 31 March 2025 draft accounts for audit.

	Planning materiality (based on 31 March 2024 audited accounts)	**Final materiality (based on 31 March 2025 draft accounts)**
Materiality (1% of total assets)	22.4m	22.6m
Performance Materiality	16.8m	16.9m
Reporting threshold	1.1m	1.1m

We draw your attention to the important notice on page 3 of this report, which explains:

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

Yours sincerely

Fleur Nieboer

Partner KPMG LLP

Contents **Page**

Important notice

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

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

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of London Borough of Southwark Pension Fund (the "Fund"), prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, as at and for the year ended 31 March 2025.

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

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication on 02 June 2025.

Limitations on work performed

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

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

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

Status of our audit

Our audit is close to completion with matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 4 'Our Audit Findings' outlines the outstanding matters in relation to the audit. Our conclusions will be confirmed with you before our audit report is signed.

Restrictions on distribution

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

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Our audit findings

Significant audit risks		Pages 5–8
Significant audit risks	**Risk change**	**Our findings**
Management override of controls	No change	We have not identified any instances of management override of controls in our work
Valuation of Directly held Property	No change	We have utilised KPMG Real Estate experts as part of our work in this area. The overall valuation is considered as balance.

Key accounting estimates		Pages 10-12
Valuation of Directly held Property	Balanced	We assessed the assumptions underpinning the valuation as balance.
Valuation of Level 3 Pooled Investment Vehicles	Optimistic	We agreed the value to investment manager confirmations and assessed the NAV statements as reliable. We assessed the assumptions as optimistic mainly due to the overstatement on account of lagged assets. See page 10 for details.
Valuation of Level 1 & 2 Pooled Investment Vehicles and Segregated Investments	Balanced	No issues to report. We verified valuations to independent pricing sources provided by our in-house pricing team. For ULIPs, we verified from fund manager the willingness to transacts at the price obtained. For any investment positions our pricing team were unable to obtain an independent price for, we performed retrospective review procedures as an alternative.

Uncorrected audit misstatements		Page 18
Understatement/ (overstatement)	**£m**	**%**
Net assets	(1.60)	(0.07)

Uncorrected misstatements in respect of disclosures	Page 18
Disclosure	**Our findings**
None	

Number of control deficiencies	Page 19
Understatement/ (overstatement)	
Significant control deficiencies	1
Other control deficiencies	2
Prior year control deficiencies remediated	2

Outstanding matters

Our audit is substantially complete except the following outstanding matters:

- Review of updated draft financial statements
- Completion of internal reviews and quality control procedures
- Completion of our post balance sheet ents review up to the date of sign off
- Receipt of signed letter of representation and approved and signed financial statements.

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Significant risks and other audit risks

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

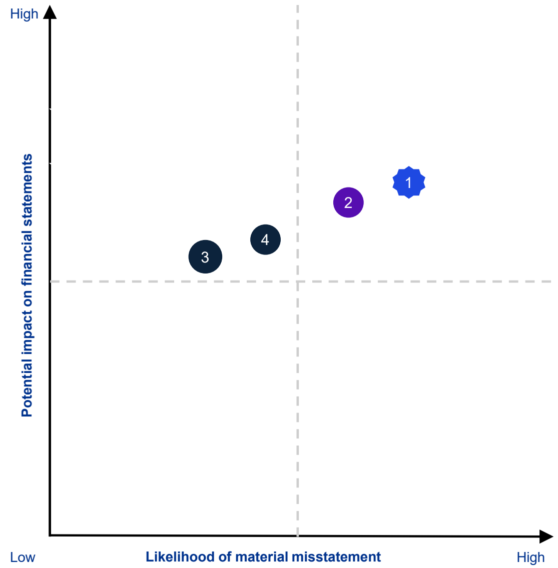
Our risk assessment draws upon our historic knowledge of the business, the industry and the wider economic environment in which London Borough of Southwark Pension Fund operates.

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

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

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

Other audit risks	
3	Level 1, Level 2 and Level 3 investments are not complete, do not exist or are not accurately recorded
4	Valuation of Level 1, Level 2 and Level 3 investments is misstated



KEY

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

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Audit risks and our audit approach

1 Management override of controls (a)

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

Significant audit risk

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

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

Our response

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

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluate the selection and application of accounting policies
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post-closing adjustments.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the normal course of business or are otherwise unusual.
- Assess the completeness of the population of journal entries and test specific journals through the year using our selected high-risk criteria, focusing our testing on those with a higher risk, such as journals with unusual code combinations outside our expectations.

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Audit risks and our audit approach (cont.)

1 Management override of controls (a)

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

Significant audit risk

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

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

Our findings

- We have not identified any indication of management override in the year leading to material misstatement or significant concern.
- We identified a weakness in journal entries because there are routes by which journal entries can be posted without authorisation or segregation of duties. This is typical of many large organisations, and the pension fund is satisfied it has adequate mitigations for the risks posed. As this finding is common for many funds, we have not had to vary our audit approach as we assume that controls are ineffective.
- We have reviewed the accounting records and did not identify any significant unusual transactions.
- We have also reviewed management estimates, and the journal entries posted in the period and around the year end. We did not identify any areas of bias in key judgements made by management.
- We performed the screening of journals listing and did not identify any high-risk criteria. Our screening procedures identified 5 journal entries and our examination of these did not identify unauthorised, unsupported or inappropriate entries.
- Our testing over journals is complete and we have not identified any instances of management overriding internal controls. We have been able to satisfactorily address this audit risk.

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Audit risks and our audit approach (cont.)

2 Valuation of directly held property

Cautious | Neutral | Optimistic

Significant Audit risks

- An inappropriate amount is estimated for the value of property due to inappropriate assumptions, errors in the underlying data or inaccurate computation of the valuation estimate.
- The significant risk is driven by the market assumptions due to the subjectivity and complexity involved in their determination. Values of directly held property is c£248.3m as at 31 March 2025.

Our response

- We obtained the property valuation produced by the independent valuer as at 31 March 2025 directly from Nuveen, fund manager who further engage an independent valuer, Knight Frank (the property valuer). We noted no issues with the proposed valuation recorded by management.
- We assessed Knight Frank as a management specialist and assessed their competency as a property valuer and their work for use as an audit evidence.
- We involved KPMG property valuation specialists to evaluate the assumptions underlying the properties' valuations for a selection of the directly held property portfolio, holding direct discussion with Knight Frank in respect of the underlying assumptions used for the valuation.

Our findings

- The KPMG Real Estate team have challenged the valuer on the valuation inputs and reasons for value movement, considered any comparable evidence provided by the valuer and referred to our own internal sources of comparable data, market research, benchmark yields and MSCI data throughout our review. The KPMG Real Estate team evaluated a risk-based sample of properties and concluded that the valuations were balanced.
- Directly held property valuation is assessed by management for appropriateness. However, the review was not performed on a sufficiently detailed or documented basis to allow us to rely on the control. Consequently, we concluded that controls in place to review the valuation were ineffective, consistent with the prior period. We note pension fund appoints a third party (Knight Frank) to value the property and the review is considered adequate by management for their own purposes.

Key:
Prior year | Current year

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Audit risks and our audit approach (cont.)

3 Level 1, Level 2 and Level 3 investments are not complete, do not exist or are not accurately recorded

Other risks

- Level 1, Level 2 and Level 3 investments are not complete, do not exist or are not accurately recorded.
- Investments are held to pay benefits of the Fund. They are held with 9 investment managers across a number of asset classes. The investments are material to the financial statements (99% of the Statement of Net Assets) and therefore there is a risk of material misstatement.
- There is a risk of material misstatement relating to completeness, existence and accuracy as there has been a number of investment transitions in the year between investment managers.

Our response

- As part of our audit procedures, we gained an understanding of the processes over the completeness, existence and accuracy of Level 1, Level 2 and Level 3 investments. This included gaining an understanding of the control environment at all the investment managers and the custodian by reviewing their internal controls reports to identify any control deficiencies that would impact our audit approach.
- We obtained direct confirmations from your custodian and all your investment managers to vouch the holdings and valuation of assets at the year end.
- We vouched purchases and sales to custodian reports.
- We recalculated change in market value and compare this to the overall investment return stated in the Pension Fund Committee's report for consistency with the amounts reported in the financial statements. We investigated any material deviations.

Our findings

There are no matters arising from our work over this risk area.

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Audit risks and our audit approach (cont.)

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

Other risks

- Investments are held to pay benefits of the Fund. They are largely held as pooled investment vehicles held with 9 investment managers. The investments are material to the financial statements (99% of the Statement of Net Assets) and therefore there is a risk of material misstatement.
- There is a base risk of material misstatement relating to fair values of Level 1 and 2 pooled investments, due to the estimation uncertainty resulting from the pricing of these investments.
- There is an elevated risk of material misstatement relating to fair values of Level 3 pooled investments, due to the estimation uncertainty resulting from unobservable inputs to these investments.

Our response

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

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

See following pages for our findings.

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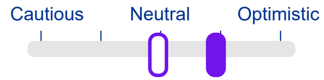
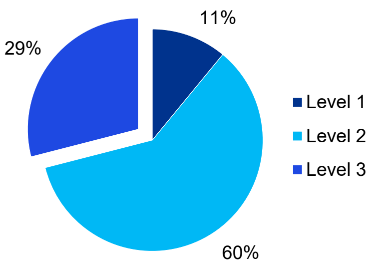
Audit risks and our audit approach (cont.)





Type of security	Portfolio	Market value 2025 (£m)	Percentage of portfolio 2025 %	Market value 2024 (£m)	Percentage of portfolio 2024 %
Level 1: Segregated		249.40	11%	313.57	14%
Level 2: PIVs		1,350.73	60%	1,287.76	58%
Level 3: PIVs		413.51	18%	404.41	18%
Level 3: Property		248.30	11%	218.77	10%
Total		2,261.94	100%	2,224.35	100%

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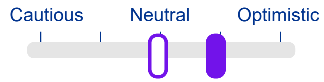
Our findings

Type of security	Our findings	Assessment of accounting estimate
Level 3: Property	• Refer to page 8 for the commentary and findings in respect of property assets.	
Level 3: Pooled Investment Vehicles	• We obtained direct confirmations from the custodian and all the investment managers to vouch the holdings and valuation of assets at the year end; • The draft financial statements are prepared on the basis of latest available valuations that are sometimes lagged due to delay in preparing the quarterly valuation statements by investment managers. Our audit procedures involved obtaining valuations as at 31 March 2025. We have identified an overstatement of £1.60m between the values in the draft financial statements and those provided by the investment managers as at 31 March 2025. This is relating to Invesco. This is not material to our financial statement's opinion, but we do consider the valuation to be slightly optimistic as recorded. See page 18 for details.	

Key:
Prior year Current year

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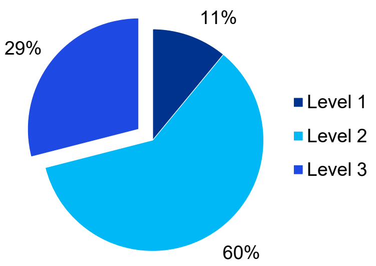
Audit risks and our audit approach (cont.)

Cautious Neutral Optimistic



Type of security	Portfolio	Market value 2025 (£m)	Percentage of portfolio 2025 %	Market value 2024 (£m)	Percentage of portfolio 2024 %
Inputs are unobservable (i.e. market data is unavailable)					
Level 1: Segregated		249.40	11%	313.57	14%
Level 2: PIVs		1,350.73	60%	1,287.76	58%
Level 3: PIVs		413.51	18%	404.41	18%
Level 3: Property		248.30	11%	218.77	10%
Total		2,261.94	100%	2,224.35	100%

Our findings

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

Key:
Prior year Current year

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Other matters

Narrative Report and Annual Governance Statement

As of the date of this report, the Annual Report and Governance Compliance Statement have not yet been received. Consequently, no review has been performed on these documents. Upon receipt, we will carry out the necessary audit procedures to confirm their consistency with the financial statements.

Independence and Objectivity

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

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

Audit Fees

Our scale fee for the 2024/25 audit, as set by PSAA is **£86,000** plus VAT (£75,000 plus VAT in 2023/24).

Appendix

Contents

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Required communications

Type	Response
Our draft management representation letter	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2025./OR explain additional representations requested.
Adjusted audit differences	There was no adjusted audit difference.
Unadjusted audit differences	The aggregated impact on net assets of unadjusted audit differences would be £1.60m. In line with ISA 450 we request that you adjust for these items. However, this will have no effect on the opinion in the auditor's report, individually or in aggregate. See page 18.
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Issue a report in the public interest	We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties	No significant difficulties were encountered during the audit.
Modifications to auditor's report	None
Disagreements with management or scope limitations	The engagement team had no disagreements with management, and no scope limitations were imposed by management during the audit.
Other information	No material inconsistencies were identified related to other information in the statement of accounts.
Breaches of independence	No matters to report. The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence.
Accounting practices	Over the course of our audit, we have evaluated the appropriateness of the London Borough of Southwark Pension Fund's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	The significant matters arising from the audit were discussed, or subject to correspondence, with management.
Certify the audit as complete	We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above. We have not yet certified the audit as complete because our work on WGA is outstanding.

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Fees

Audit fee

Our fees for the year ending 31 March 2025 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2024/25 (£'000)	*2023/24 (£'000)*
Audit services		
Financial Statements	86	*75*
ISA 315(R)	-	*8*
Fee variations	-	*10*
TOTAL	**86**	*93*

Prior period fee variations:

Fee variations were agreed by PSAA for the prior period as follows:

- New auditing standards: £7,840
- Work in respect of quality and preparation of supporting evidences: £10,306

Total: ££18,146 (24% of scale fee).

Billing arrangements

Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

If we identify any fee variations upon the completion of our work, we will agree these with management and report them at a later date.

DRAFT

Confirmation of Independence

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

To the Audit, Governance and Standard Committee

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

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

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

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

General procedures to safeguard independence and objectivity

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

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

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

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

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

Summary of non-audit services

No non-audit services are being provided directly to the Fund during the year ended 31 March 2025 and we have not committed to providing any such services.

Fee level

We do not consider that the objective, reasonable and informed third party would conclude that it is probable that our independence would be compromised by the level of the audit fee.

Independence and objectivity considerations relating to other matters

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

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP, each member of the audit engagement team, and anyone else within the Firm who can influence the conduct or outcome of this audit engagement is independent within the meaning of regulatory and professional requirements. This report is intended solely for the information of the Committee and should not be used for any other purposes. We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

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Audit misstatements

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

Below is the summary of uncorrected audit differences:

Uncorrected audit differences (£m)

No.	Detail	Fund account (Dr/Cr)	Net Asset Statement (Dr/Cr)	Comments
1	Dr Change in market value Cr Pooled Property (L3 pooled funds)	£1.6 -	- (£1.6)	Latest available value for pooled property was taken at the time of preparing the financial statements. However, it was the lagged valuation. While performing the audit, KPMG was able to confirm a more up to date valuation as at 31 March 2025 by obtaining an independent confirmation from fund manager and noted variance between the management's valuation and latest NAV.
Total		£1.6	(£1.6)	

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit, Governance and Standard Committee with a summary of **corrected audit differences** (including disclosure misstatements) identified during the course of our audit.

There are no corrected misstatements to report.

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Control Deficiencies

There are no new recommendations as a result of our work in current year. However, we have also followed up the recommendations from previous year audit, in summary:

Priority rating for recommendations

❶ **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

❷ **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

❸ **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Current Status (November 2025)
1	❶	**Approval of journals: Segregation of duties** The Pension Fund has a process where journal entries require authorisation prior to posting in SAP. Whilst none of the journal entries we selected for testing lacked authorisation, we note that the system – as configured – does not enforce authorisation meaning there is a risk that a journal could be posted without approval. We understand the limitations the Pension Fund has identified in the current system meaning they do not believe an approval workflow will be useful. The Pension Fund should consider introducing an approval workflow in its replacement finance system.	**Outstanding** The pension fund is in the process of migrating to a new version of SAP. We would not anticipate the pension fund making substantial changes to the operation of the existing system due to its imminent replacement and consequently have not re-raised our recommendation.
2	❷	**Management review of valuation of directly held property** Under the International Standards of Auditing, we are required to identify and evaluate the design and implementation of an internal control in relation to significant risks. Whilst the Audit, Governance and Standard Committee appoints a third-party fund manager, Nuveen to manage its property portfolio and who further in turn engage Knight Frank to value the property, we did not identify an associated management review or other control that meets the requirements of the auditing standards. We recommend that the Fund review and challenge the valuations provided by the valuer. This process should be fully documented.	**Closed** The pension fund's view is that their approach adequately addresses their risks and consequently is content with their process as it stands. Consequently, this recommendation is outstanding but closed.
3	❸	**Membership reconciliation** We noted that no formal member reconciliation is performed noting membership changes in the year, reconciling movements and cross checking against the underlying payroll records. There is a risk that membership information may be incorrect. We therefore recommend that the Fund considers performing an annual membership reconciliation to ensure the completeness and accuracy of member records, which should be checked against the underlying payroll records for active and pensioner members at the year end or keep an audit trail and do a formal check when a report is run for the year end.	**Outstanding** The Pension Fund is currently working to expand its membership reconciliation processes to also track changes in member status. This enhancement will allow for a reconciliation of movements within member categories to be available for the next year end. The reconciliation will then be validated against underlying payroll records for active and pensioner members

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Control Deficiencies

There are no new recommendations as a result of our work in current year. However, we have also followed up the recommendations from previous year audit, in summary:

Priority rating for recommendations

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

#	Risk	Issue, Impact and Recommendation	Current Status (November 2025)
4	2	**Related parties** The Pension Fund used old declarations of interest as part of identification of related parties. In many cases we identified more recent declarations on the Council's website, although we acknowledge these may not have existed at the time of preparing the disclosure. If outdated declarations are used, there is a risk the disclosure in the accounts will be incorrect. We recommend that the Pension Fund ensures it always uses the most up to date declaration, and chases members to provide declarations if not up to date during the account's preparation process.	**Implemented** We have not identified any similar issues this year.
5	2	**Valuation of investments** We noted that no formal process followed by pension fund to update the investment valuations after preparing draft financial statements. There is a risk that investments are recorded at lagged valuations. We therefore recommend that the Fund considers obtaining the asset confirmations from fund managers again (at least after 6 months from the year end) for those assets which were recorded at lagged valuations within the first draft of financial statements.	**Implemented** We have not identified any similar issues this year.

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

Ongoing impact of the revisions to ISA (UK) 240

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

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

Our assessment of the risks of material misstatement due to fraud may be found on page 4 and 6. We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements* , to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

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

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

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KPMG's Audit quality framework

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

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

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

Commitment to continuous improvement

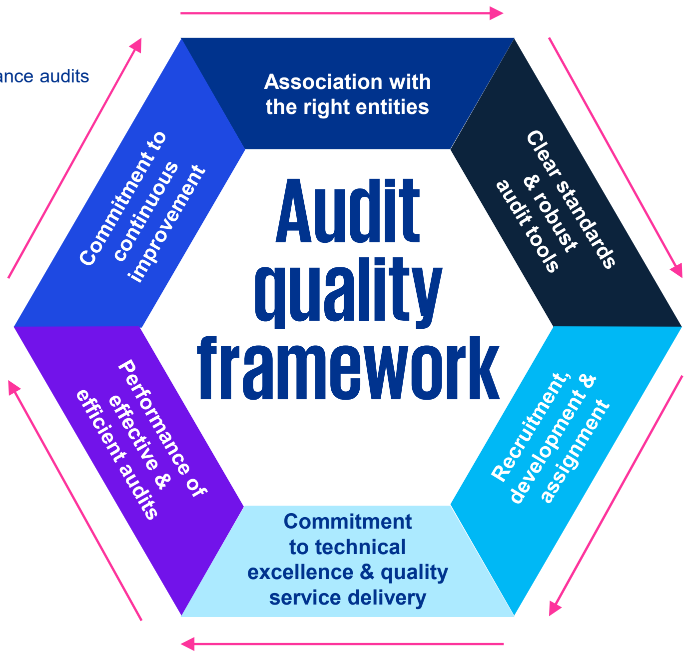
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

Performance of effective & efficient audits

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

Commitment to technical excellence & quality service delivery

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



Association with the right entities

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

Clear standards & robust audit tools

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

Recruitment, development & assignment of appropriately qualified personnel

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

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Agenda Item 9

Meeting Name:	Audit, governance and standards committee
Date:	19 November 2025
Report title:	Internal Audit: Shared Service Proposal
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 proposal to enter into a shared service agreement with Lambeth Council with effect from January 2026 for the delivery of internal audit.

BACKGROUND INFORMATION

2. The Accounts and Audit Regulations 2015 state: “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

3. At present, the council’s internal audit service is provided by a third party – BDO (since December 2016), reporting directly to the Director of Corporate Finance.

KEY ISSUES FOR CONSIDERATION

4. In line with the council’s commitment to bringing more services under public control and bringing more council services in house, the internal audit service has been identified as a good candidate for a change in operating model.

5. Fully in-sourcing the service has been discounted on the basis that there are a limited number of professionals in this field and recruiting and retaining them as a single authority would be both expensive and difficult, likely requiring significant external support to backfill any vacancies.

6. Entering into a shared service with Lambeth provides the council with the vast majority of the benefits of insourcing whilst mitigating the risks and delivering additional value including;

   - Resourcing resilience for both councils.

- Efficiencies for both councils through shared methodologies and activity.
- Proposed staffing structure and costs ensures minimal cross subsidy.
- Grading and structure allows for apprenticeships, staff development and growth.

7. Lambeth has already been running its own internal audit service for a number of years, with additional resilience provided on an ad-hoc basis by BDO (the same firm currently delivering the entirety of the Southwark Service). This means that the proposal is simply to grow that existing service to accommodate the needs of Southwark. Operational risk is therefore very low as the council is simply entering into an existing service as opposed to creating a brand new one.

8. Lambeth will be the lead and host authority and will employ all the staff needed to deliver internal audit activity for both councils. Southwark will be fully recharged for the internal audit services provided. The shared service will be governed by a Section 101 agreement between Southwark and Lambeth. Section 101 of the Local Government Act 1972 permits a local authority to arrange for the discharge of any of their functions by any other local authority. In this proposed shared service model, Southwark will be permitting Lambeth to discharge their internal audit function. The governance arrangements will include an Oversight Panel consisting of the Corporate Director of Finance (Lambeth) and the Strategic Director of Finance (Southwark). The Assistant Director of Internal Audit and Counter Fraud will hold the role of Chief Audit Executive (as designated by the UK Public Sector Standards) for both authorities. For Southwark, oversight of day-to-day activity will remain with the Director of Corporate Finance (as it currently does with BDO).

9. BDO will continue to provide additional resilience to Lambeth (and by extension to Southwark as we enter the shared service) which will ensure continuity of service and a relatively seamless handover. All parties will work collaboratively to ensure excellent continuity of service during the transition period.

10. Subject to Southwark decision making processes, the shared service is expected to commence in January (date tbc). In practical terms this would mean that Lambeth's Assistant Director of Internal Audit would become responsible for running internal audit services for Southwark. Naturally it will take some time to recruit the necessary additional staff to accommodate Southwark's internal audit requirements and so BDO will continue to deliver audits in the intervening period, gradually reducing their input as the council team takes over throughout 2026.

Policy framework implications

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

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

Community impact statement

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Further guidance

15. None required.

Climate change implications

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

Resource implications

17. The current contract for internal audit services comprises a fixed element for the main plan and a variable element to cover ad-hoc reviews that are considered necessary from time-to-time. The contract cost increases annually with inflation. Annual spend therefore varies, but is in the region of £450k to £500k. The proposed shared service arrangements will maintain this flexibility and can be contained within existing budgets.

Consultation

18. Public consultation is not deemed necessary for this proposal, however officers are in discussions with the existing provider (BDO) to ensure a smooth transition of service.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

19. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Timothy Jones, Director of Corporate Finance		
Version	Final		
Dated	29 October 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			30 October 2025

Agenda Item 10

Meeting Name:	Audit, Governance and Standards Committee
Date:	19 November 2025
Report title:	2025-26 Q3 report of the Corporate Anti-Fraud Team and the Special Investigations Team
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	n/a

RECOMMENDATION

1. That the audit, governance and standards committee note the Q3 2025-26 report of the Corporate Anti-Fraud Team (CAFT) and the Special Investigations Team (SIT).

BACKGROUND INFORMATION

2. This report summarises the work of the CAFT and SIT to prevent, detect, and respond to fraud, bribery, and corruption. It supports the council's commitment to integrity, transparency, and the responsible management of public funds.

3. During the reporting period, corporate case referrals involved isolated incidents, typically relating to staff conduct, email scams and council tax support. Each case was assessed, investigated, and where necessary, appropriate action was taken in line with council policies and procedures.

KEY ISSUES FOR CONSIDERATION

2025-26 Investigations

4. Table 1 summarises the Corporate Anti-Fraud Team investigations referred to between April and October of the 2025-26 financial year.

<u>Table 1: Summary of the anti-fraud caseload 2025/26</u>

Corporate Anti-Fraud investigations

	Corporate Anti-Fraud	Homeless	Waiting list	Right to Buy	Blue Badges	Total
C/f 2024-25	15	1	8	13	4	41
New cases received in year	64	4	31	27	14	140

	Corporate Anti-Fraud	Homeless	Waiting list	Right to Buy	Blue Badges	Total
Cases Closed Q1	13	1	11	11	2	38
Cases Closed Q2	27	1	8	10	7	53
Cases Closed Q3	8	0	12	7	3	35
Open Cases @ 20 October 2025	26	3	8	12	6	55

5. Table 2 shows corporate anti-fraud cases received in 2025-26 categorised by council directorate. The majority of corporate anti-fraud investigations have been low to medium in terms of financial risk.

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

Corporate Investigations 2025-26		
Directorate (Accumulated Total)	Internal	External
Chief Executive Office	2	2
Children & Adults	2	15
Environment, Sustainability & Growth	4	3
Governance & Assurance	1	0
Housing	4	20
Resources	0	9
Strategies & Communities	0	0
Strategies & Communities	0	0

6. Table 2 lists the number of corporate anti-fraud cases received by council directorate following initial assessment. Not all referrals lead to full investigations, as most are deemed a medium to low or no financial risk, supporting a focus on higher-risk threats to public funds.

Homelessness and Housing waiting lists

7. The Team undertakes reviews of the housing waiting list and also those homelessness applications which are a cause for concern, such as when suspicious supporting documents have been provided i.e. pay slips, bank statements, contrived overcrowding.

8. There were no Homelessness cases referred in, or cases closed, in the period of August to October 2025-26.

9. There were 11 new waiting list referrals between August and October 2025. The results of the 12 waiting list cases closed in the same period are:

- Denied 3
- Maintained 8
- Transferred Out 1 (Referred to SIT)

Right to Buy (RTB)

10. The council checks the veracity of the sources of funds used for the purchase of properties under the right to buy scheme. Referrals are raised when the cash element of the purchase exceeds HMRC guidelines. When referrals are received, the team reviews the source of cash funding and makes a recommendation to the RTB team. For each case denied or withdrawn a standard cash ‘saving’ to the council is assumed at £16,000 for the applications post November 2024. However, we are seeing some applications submitted with the £136,000 pre-November 2024 discount eligibility.

11. There were 9 new referrals between August and October 2025. The results for the 7 cases closed in the same period are.

- Withdrawn by applicant 1
- Accepted 6

Blue Badge

12. The Corporate Anti-Fraud Team (CAFT) support referrals for ‘Blue Badge’ fraud and misuse as part of an Environment, Sustainability and Leisure (ESL) directorate initiative, which outsources the investigation and prosecution of Blue Badge irregularities to an external contractor, BBFI. Cases where blue badges are issued outside the borough are forwarded to the issuing authority.

13. There were 3 new referrals for Blue Badges from the Fraud Hotline. The cases closed in Q3 are as follows.

Closed No Further Action 3

For those that are described as ‘No Further Action’, there was no evidence to indicate misuse of a Blue Badge.

14. BBFI supports Southwark by providing proactive, foot patrols (not referrals). 77 blue badges were seized by the BBFI. Table 3 provides a breakdown of the 77 blue badge seizures by type for April and July 2025. On average 11 badges are seized per month based on BBFI data for 18 months. The BBFI data indicates that 32% of the total seized blue badges were issued by Southwark.

Table 3 Blue Badges outcomes

Type	Q1	Q2	Q3	Total
Misuse	3	7	9	19
Lost	4	7	7	18
Stolen	4	5	8	17
Deceased	5	6	2	13
Fake/Copy	4	0	4	8

Type	Q1	Q2	Q3	Total
Expired	1	0	0	1
Cancelled	0	0	1	1
Total	**21**	**25**	**31**	**77**

Housing Tenancy Counter Fraud Activity 2025-26 – Q3

15. The Special Investigation Team (SIT) falls under the Council's Fraud Prosecution Policy with the following remit:

    'The special investigation team will investigate 'housing tenancy fraud' in respect of the housing stock owned and managed by the council and other social housing where legislation directs that a local authority has specific responsibility. This includes cases of unlawful subletting, non-occupation, succession, assignment, mutual exchange, right to buy and housing register application fraud, unless otherwise agreed'.

16. SIT are based within the Accommodation and Support Business Unit which is situated within the new Housing Needs and Support directorate. The team operates reactively and proactively to prevent and detect tenancy fraud and sanction tenancy fraud where this is proven via both civil and criminal justice regimes. The team also provides support to other teams within Landlord Services to prevent and detect housing tenancy fraud and illegal occupancy and to support actions taken by those teams, including recovery of properties from illegal occupancy.

Summary of SIT workload 2025-26

17. SIT receives referrals from both internal and external sources. Every referral is reviewed by an Investigations Officer in an initial investigation to assess whether further investigation is required. Referrals which do not fall within the remit of the team or which do not provide sufficient information are rejected. SIT referral management information is detailed in table 4 below.

Table 4: SIT Investigation referrals received in 2025-26 up to 19/10/2025

Investigation Referrals	Q1	Q2	Q3	YTD Total
C/Fwd	103	47	39	103
Received	57	66	23	146
Investigation Opened*	84	53	11	148
Rejected	29	21	0	50
Referred to Area Housing	0	0	8	8
Outstanding for review	47	39	43	43

18. Cases where further investigation has been required, and the investigation workload of the team is shown in table 5 below:

Table 5: SIT investigation caseload in 2025-26 up to 19/10/2025

Caseload	Q1	Q2	Q3	YTD Total
B/Fwd	325	383	406	325
Opened	84	53	11	148
Closed	26	30	51	107
C/Fwd	383	406	366	366

19. In addition to investigating allegations of housing tenancy fraud, SIT introduced additional verification of applications to change existing tenancies to prevent potential tenancy fraud. These changes include applications in respect of:

- Succession to tenancy
- Assignment of tenancy
- Mutual Exchange
- Name changes
- Adding or removing a tenant from a tenancy agreement

20. Changes to the verification process to increase efficiency and reduce delays to responses being sent were introduced in May 2025; the intention was to improve the efficiency of the process and reduce the number of cases requiring verification. This was necessary to allow effective investigation of tenancy fraud cases and to maximise the efficient use of available resources. The implementation of these new process is demonstrated in the reduced number received to date in Q3.

21. SIT verification work in this area is shown in table 6 below:

Table 6: SIT Verification caseload 2025-26 up to 19/10/2025

Verification Cases	Q1	Q2	Q3	YTD Total
C/Fwd	84	42	21	84
Received	77	38	6	121
Rejected	0	0	0	0
Further Information Req'd	0	2	0	2
Completed	119	57	23	199
Outstanding	42	21	4	4

SIT Outcomes 2025-26

22. The key function of the team where fraud is identified is to recover properties subject to illegal occupation and prevent fraudulent applications and tenancy changes. Where SIT identify factors affecting other teams and departments

information is referred to the relevant team. This may include referrals to review and amend Council Tax discounts or housing benefit/council tax reduction scheme payments.

23. SIT outcomes for the year to date are shown in table 7 below:

Table 7: SIT outcomes and value of fraud detected 2025-26 up to 19/10/2025

Outcomes	**Q1**	**Q2**	**Q3**	**YTD Total**	**Value of Fraud Detected (£000's)**
Properties recovered	6	1	1	8	664
Succession prevented	14	3	0	17	765
Assignment prevented	4	1	0	5	225
Mutual Exchange prevented	0	0	0	0	0
Homeless/rehousing prevented	0	0	0	0	0
Other tenancy change prevented	1	0	0	1	45
RTB prevented	0	0	0	0	0
Other preventions	0	0	0	0	0
Total	25	5	1	31	1,699

24. Values of detected fraud have been updated to reflect current costs. The value of fraud detected is calculated as follows:

- Property recovered - £83k per property based on a standardised formula taking into account net, annual, TA costs to the Council, the average time a property is subject to illegal occupant and additional costs such as investigation costs, legal costs and void costs.
- Tenancy stopped - £45k per property based on a net annual paid for TA cost of £18k per property multiplied by the average length of TA stay per property of 2.5 years.
- Other outcomes – these are assessed on a case by case basis where there is a calculable financial benefit to the Council. Not all other outcomes will produce a financial benefit.

25. In total SIT have identified fraud valued at £1.7m. This compares to a total value detected in 2024/25 £1.5m.

26. In addition to the outcomes recorded in the table above SIT investigations have resulted in the following actions required to obtain recovery of an illegally occupied tenancy address (table 8).

Table 8: Notices served and Legal cases up to 19/10/2025

Notices and Legal Cases	Q1	Q2	Q3	YTD Total
Notices Served	7	6	4	17
Cases referred to legal	1	3	0	4
Claims issued by Court	2	0	2	4

NB Q1 total for notices served amended from 4 as previously reported as a further three notices were served but not recorded. Improved process for recording service of notices introduced to avoid further incidences of mis-recording.

Forward Planning

27. Enhanced processes for liaison between HIT and Area Housing Management are being introduced during the latter half of quarter 3. In addition, a communications campaign to highlight the impact of tenancy fraud, the consequences and how to report suspected tenancy fraud will be launched during November/December 2025. Whilst this is expected to increase referrals the increased awareness both within and external to the Council is expected to increase detection rates.

28. As part of the overall initiative to create a counter fraud culture in respect of tenancy fraud, a recent property recovery via the Courts has been publicised on the Council's website. This related to a tenancy obtained by deception where the tenants had purchased a property shortly before signing the tenancy. In addition to the recovery of the property the Court awarded the council legal costs of £16,500. This story has been picked up by the Daily Mirror website.

National Fraud Initiative (NFI)

29. The National Fraud Initiative (NFI) is a public body that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

30. Data matching involves comparing computer records held by one organisation against other computer records held by the same or another organisation to see how far they match. The match can be an exact match or a very close match. Where a match is found, there may be an inconsistency that requires further investigation.

31. The NFI 2024/25 commenced in December 2024 with the initial release of data matches against Southwark's uploaded datasets.

32. The NFI assigns fraud risk scores to individuals based on a combination of factors, including the likelihood and potential impact of fraudulent activity. These scores are categorized into defined risk levels, ranging from Nil to High.

Fraud risk scores are further broken down by risk area or dataset type, such as:

- Housing Benefit Claimants
- Housing Tenants
- Blue Badge Holders
- Other relevant datasets

33. Each individual is assigned a risk score within each dataset, determined by the number and nature of data matches they appear in. These matches are used to assess the potential risk of fraud in each specific area. This structured categorisation enables effective prioritisation of cases.

34. Table 9 below indicates the overall summary of matches reviewed which have been processed Southwark since December 2024.

Table 9 Summary of reviews NFI 2024-26 Exercise

Investigating	118
Processed:	
Cleared	868
Frauds	1
Errors	304
Total Processed	1173
Total Outcomes	£188,634

Support to Services and Departments

35. CAFT supports several services and departments as part of their due diligence processes. We do this through managing contracts, provision of training and facilitating access to ID Scanners and credit reference agency data.

36. We actively support the current school scholarships reviewing and verification of applications to ensure applicants meet the qualifying conditions.

Staffing, Recruitment and Training

37. CAFT has 6 posts: 1 manager, 3 Senior Investigators and 1 Fraud & Verification Officer. There is a current vacancy for a Fraud Trainee.

38. SIT consists of a manager and 7 investigations officers. Two posts are vacant, one due to a career break which will be recruited to.

Policy framework implications

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

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

40. 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

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

Health impact statement

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

Climate change implications

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

Resource implications

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

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

44. None required

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Tim Jones, Director of Corporate Finance	
Report Author	Paul Bergin, Corporate Anti-Fraud Manager Chris Flemyng, Special Investigations Team Manager	
Version	Final	
Dated	10 November 2025	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments Sought**	**Comments Included**
Assistant Chief Executive, Governance and Assurance	n/a	n/a
Strategic Director, Resources	n/a	n/a
Cabinet Member	No	No
Date final report sent to Constitutional Team		10 November 2025

Agenda Item 11

Meeting Name:	Audit, governance and standards committee
Date:	19 November 2025
Report title:	Complaints and Customer Service
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 Complaints and Customer Service progress report, as attached at Appendix A.

BACKGROUND INFORMATION

2. This report informs the Audit, Governance and Standards Committee of the performance for complaints, member enquiries, and customer service across all departments for the first two quarters of 2025/26.

3. The report also provides a brief overview of the Council's Resident Experience Plan approved by Cabinet on 16 September 2025.

Policy framework implications

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

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

Community impact statement

5. This report outlines the performance of response times for complaints and Members Enquiries, contact centre performance and the new resident experience plan – the focus on improving the residents experience when engaging with the Council. The complaints the Council receives from its residents are key in determining areas of focus for improvement.

6. The Council recognises the importance of maintaining a responsive service when handling complaints and this report highlights performance improvement and ongoing work to address areas that require improvement.

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Further guidance

9. None required.

Climate change implications

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

Resource implications

11. If there are direct resource implications in this report, such as increased resources, these will be met from existing budget provision.

Consultation

12. There has been no consultation directly relating to this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

13. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Resident Experience Plan	Cabinet Agenda 16 September 2025	Constitutional.team @southwark.gov.uk

APPENDICES

No.	Title
Appendix A	Internal Complaints & Customer Service progress report

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources
Report Author	Dominic Cain, Michelle Peake
Version	Final
Dated	10 November 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		10 November 2025

Audit, Governance & Standards Committee

Complaints & Customer Service

1. Executive Summary

This report provides an overview of complaints, member enquiries and customer service performance across all departments for the first two quarters of 2025/26. The period has seen a notable increase in complaints and member enquiries compared to the previous year. Despite this, there have been improvements in response times and several positive trends in service delivery. The report also covers Ombudsman outcomes, contact centre performance and key milestones in the Resident Experience Plan.

Complaints Handling:

- Stage 1 complaints increased by 19% compared to the previous year, accompanied by improvements in response times—on-time closures rose by 16% from Quarter 1 to Quarter 2.
- The Housing department achieved a 25% improvement in on-time closures, primarily as a result of focused efforts to address outstanding cases.
- Although Stage 2 complaints grew by 67%, the Corporate Complaints team improved on-time closure rates by 12% between quarters, however, there remains a significant volume of work at stage 2 for which additional resources are in post to assist in reducing turnaround times.

Member Enquiries:

5,282 Member Enquiries were received and responded to in Q1 2025/26, the volume increased by 18% on the previous year. On-time closure rates for casework remained steady at 65–66%, work remains underway to improve this. August and September showed considerable improvement with performance overall (10 and 11 days respectively). Performance for all areas apart from Housing were within standard and Housing is showing improved performance overall.

Ombudsman Outcomes:

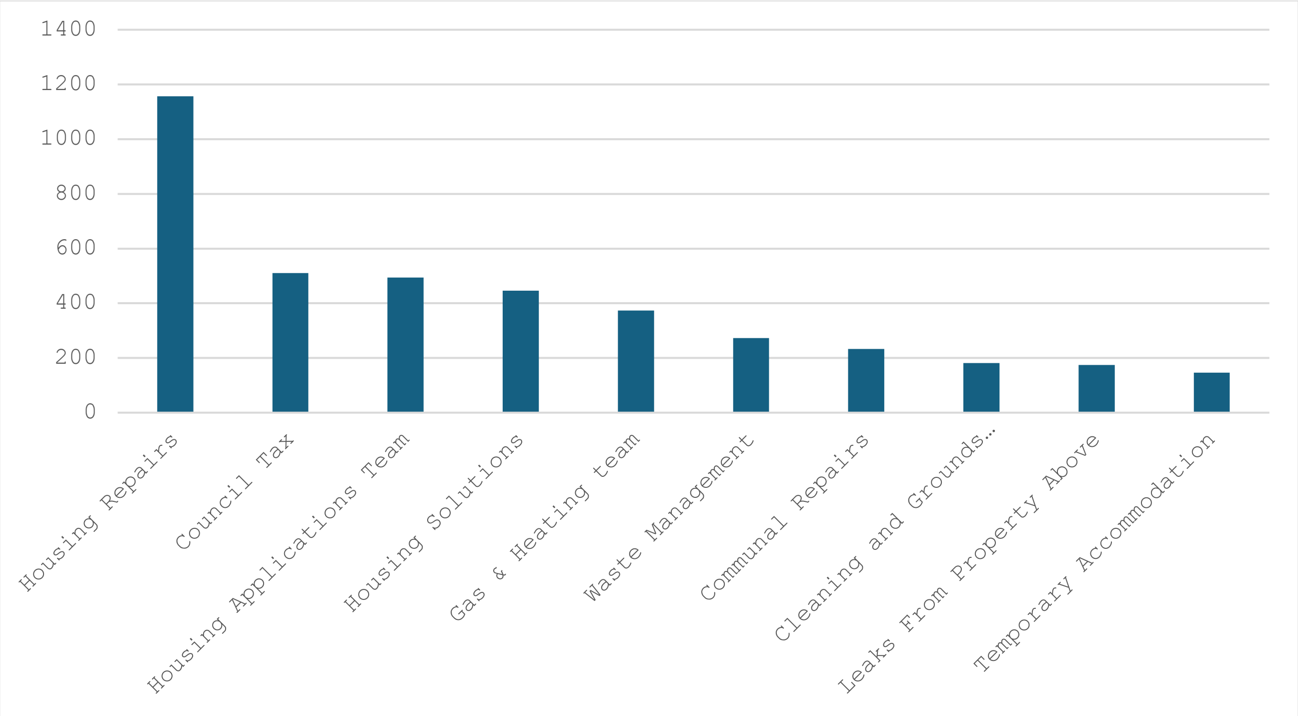
The annual Ombudsman report for 2024/25 indicates improvements in several key areas compared to 2023/24. Southwark recorded the fifth lowest maladministration rate across London, accompanied by a 25% decrease in compensation awards. To date in 2025, only two Severe Maladministration decisions have been issued, which highlights continued progress in service quality and complaint resolution.

3. Complaints Overview

3.1 Stage 1 Complaints

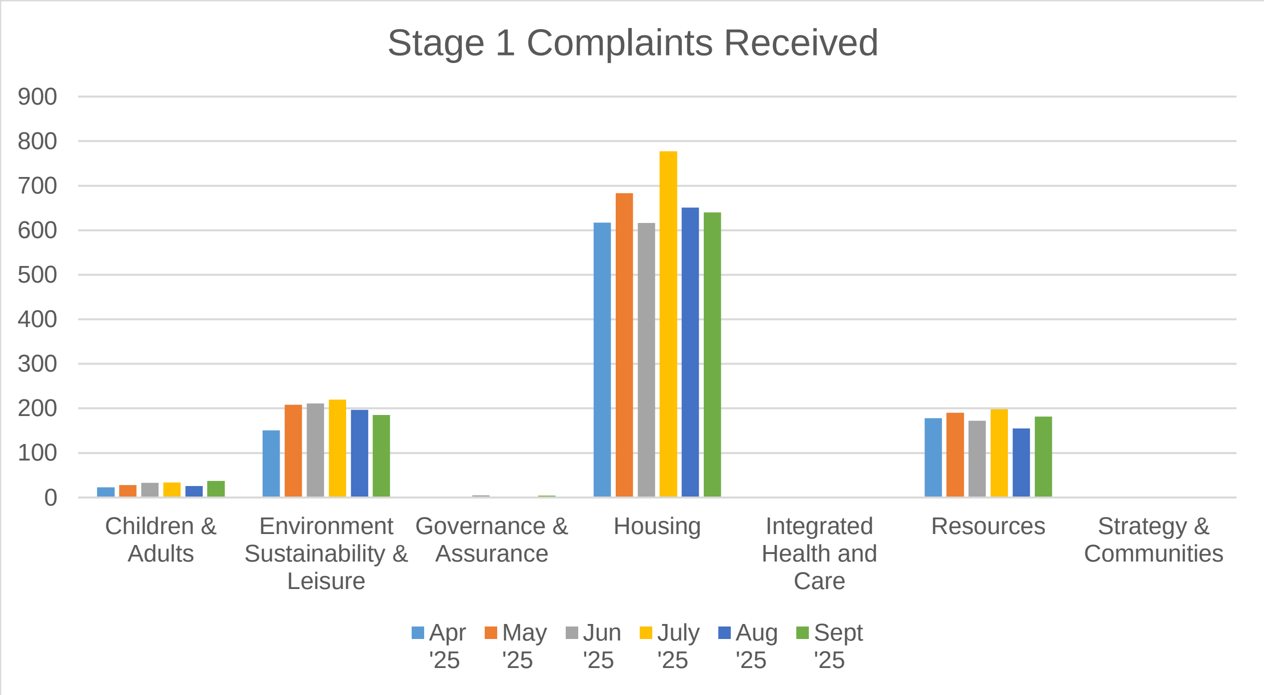
All departments experienced an increase in Stage 1 complaints compared to the same period last year. Total Stage 1 complaints rose by 19%, from 5,408 to 6,422. Housing saw a 20% increase; ESL complaints increased by 33% (work is underway to ensure that any parking appeals are not classified as stage 1 complaints); Resources remained steady; Children & Adults saw a 73% increase albeit overall this area has a much lower number of complaints proportionally.

Top 10 Services with Most Complaints (April–September 2025):



- Housing Repairs: 1,157
- Council Tax: 510
- Housing Applications Team: 494
- Housing Solutions: 446
- Gas & Heating Team: 373
- Waste Management: 273
- Communal Repairs: 233
- Cleaning and Grounds Maintenance: 181
- Leaks From Property Above: 174
- Temporary Accommodation: 146

Stage 1 Complaints by Department



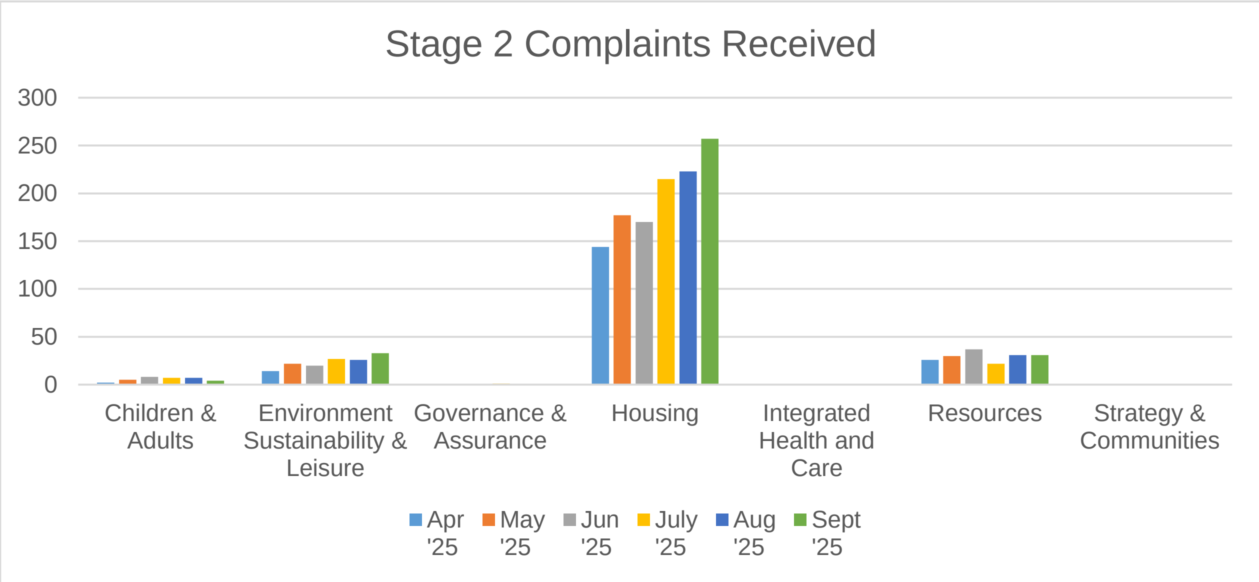
3.2 Stage 2 Complaints

Stage 2 complaints increased by 67% (from 917 to 1,540). Housing: 71% increase; ESL: 57% increase; Resources: 48% increase; Children & Adults: 93% increase. On-time closures improved by 12% from Q1 to Q2, despite the increased workload. Year on year performance has improved by 22%.

Whilst cases have increased the upheld rates for Resources and ES&L have remained relatively low at 27% and 30% respectively. Whilst there has been an increase at stage 2 for Childrens & Adults the actual volume is low. The majority of cases relate to Housing with an upheld rate of 54%- work is ongoing to improve the quality of response at stage 1 and ensure effective resolution of issues preventing escalation.

The Corporate Complaints team has additional resources in place to manage the increase in volume.

Stage 2 Complaints by Department



3.3 Response Times Stage 1

Overall, on-time closures improved by 16% from Q1 to Q2. Housing's performance increased by 25%, largely due to the clearance of overdue cases. ESL and Resources maintained high and consistent performance.

Dept	Percentage of cases closed on time	Number of cases closed on time	Percentage of cases closed on time	Number of cases closed on time
[redacted]	Q1	Q1	Q2	Q2
Children & Adults	65%	40 / 62	62%	44 / 71
Environment Sustainability & Leisure	89%	488 / 546	87%	540 / 624
Governance & Assurance	50%	1 / 2	20%	1 / 5
Housing	34%	748 / 2229	59%	1604 / 2708
Integrated Health and Care	100%	1 / 1		
Resources	90%	463 / 516	89%	476 / 533

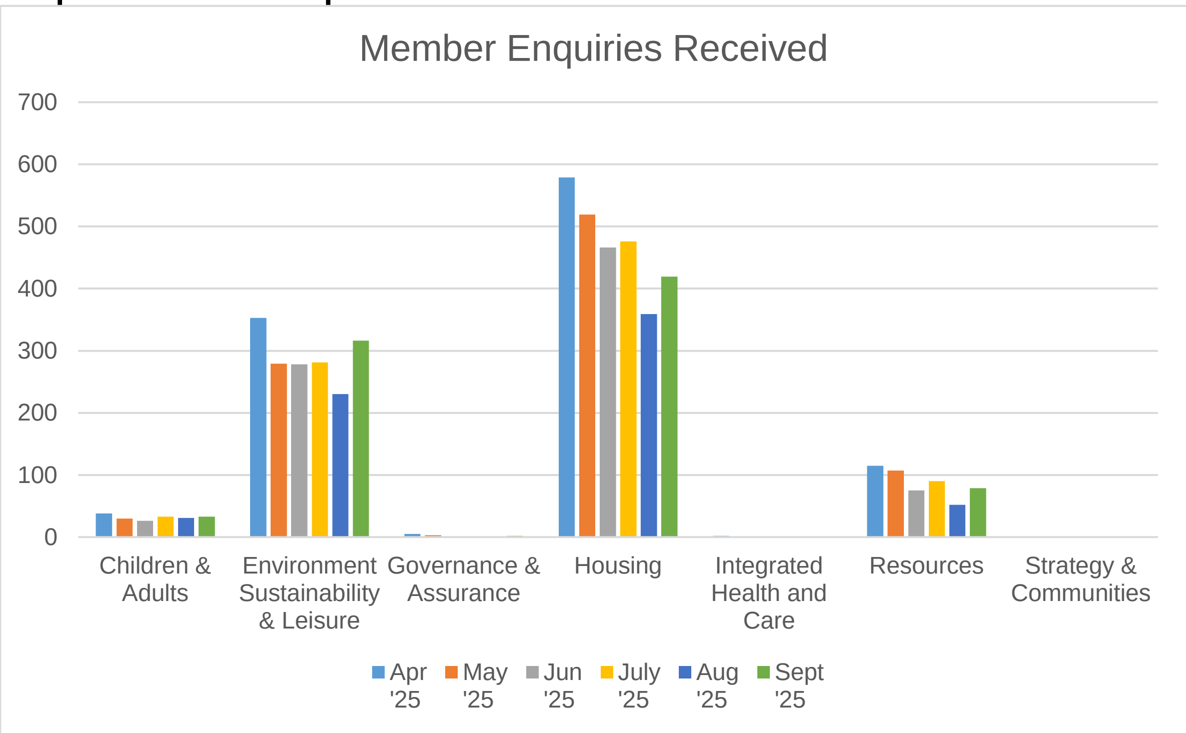
Strategy & Communities				
Total	52%	1741 / 3356	68%	2665 / 3941

*Figures are weighted to the size of the Department

4. Member Enquiries

5,282 Member Enquiries were received in Q1 & Q2 2025/26, an 18% increase from the previous year. Overall, on-time closure rate: 65% in Q1, 66% in Q2.

Graph 4: Member Enquiries



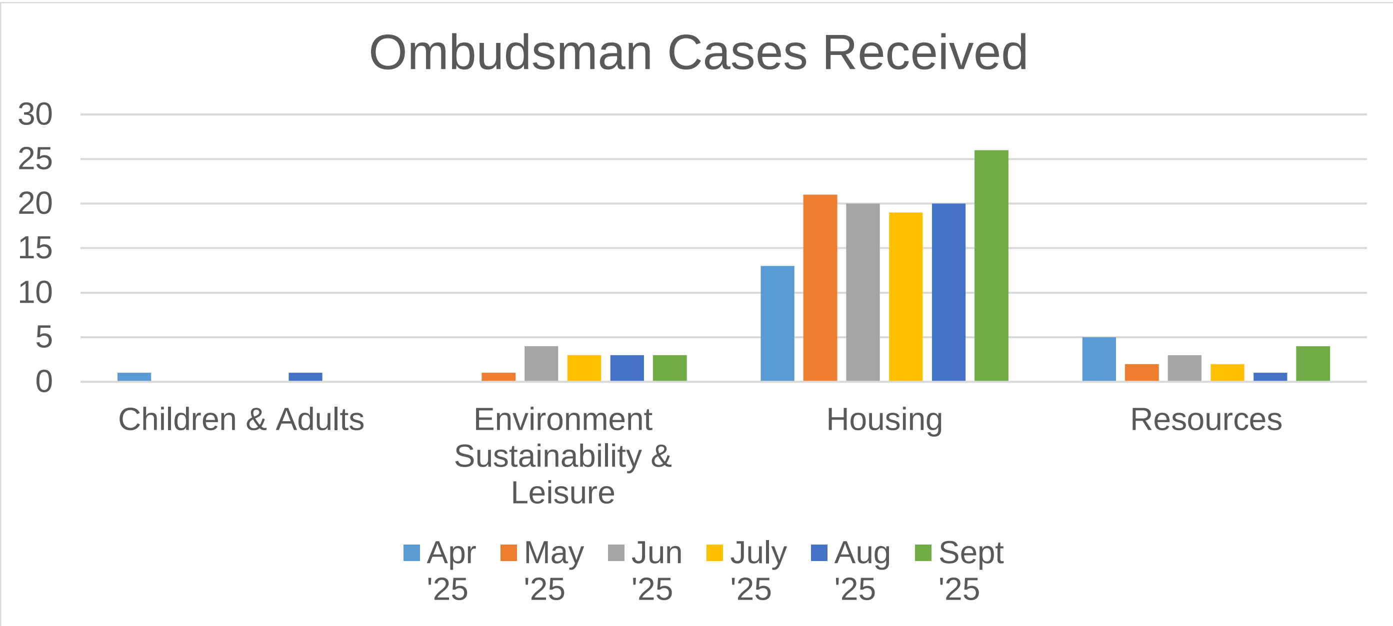
5. Ombudsman Outcomes

Housing Ombudsman Annual Report 24/5

The 2024/25 annual report shows improvement in several areas compared to 2023/24, but continued focus is needed to reduce maladministration rates. 2 Severe Maladministration decisions have been received year-to-date. Southwark achieved the fifth lowest maladministration rate in London for 2024/25.

Ombudsman Decisions	2022/23	2023/24	2024/25	2024/25 National
Maladministration Rate	77%	82%	74%	79% Local Authorities 71% all Landlords
Complaint Handling Failure Orders	5	10	4	
Severe Maladministration	4	13	9	

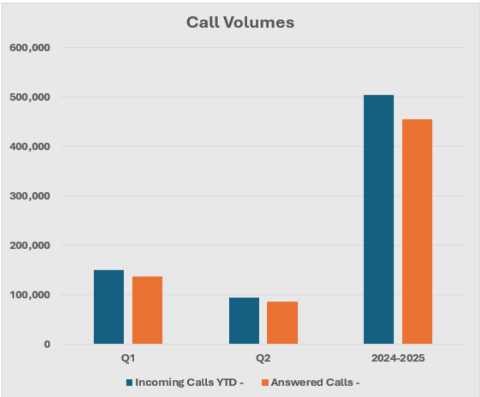
Ombudsman Cases Received



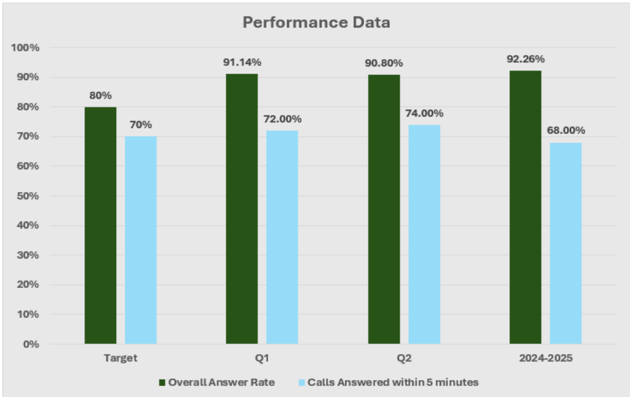
6. Contact Centre Performance

KPI achievement reached 72%, achieving the 2024/25 target and aligning with the Council Delivery Plan goal of 70%. The overall answer rate was 91%. During Q1, a total of 150,647 calls were received, the total was 503,626 throughout 2024/25. Calls answered amounted to 137,302 in Q1 and 455,335 for the year. The percentage of calls answered within five minutes stood at 72% for Q1 and 68% for 2024/25. Average waiting times were 3.11 minutes in Q1 and 4.13 minutes for the full year. There was an increase in avoidable contact during Q1, primarily attributable to heating and hot water enquiries.

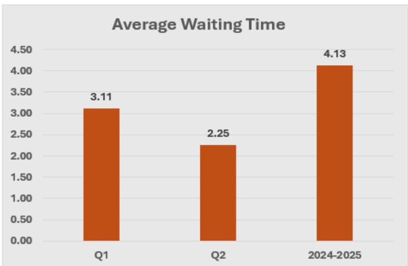
Contact Centre	Q1	Q2	2024-2025
Incoming Calls	150,647	94,548	503,626
Answered Calls	137,302	85,850	455,335



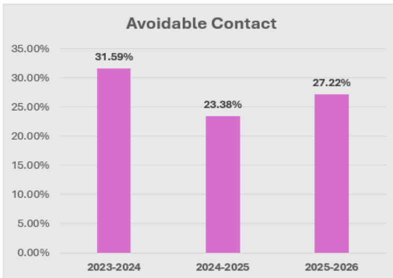
Contact Centre	Target	Q1	Q2	2024-2025
Overall Answer Rate	80%	91.14%	90.80%	92.26%
Calls Answered within 5 minutes	70%	72.00%	74.00%	68.00%



Average Waiting Time Minutes		
Q1	Q2	2024-2025
3.11	2.25	4.13



Mthly Avoidable Contacts	FY 2023/24	FY 2024/25	FY 2025/26
Apr	35%	24%	24.34%
May	28%	26%	27.65%
Jun	31%	20%	29.68%
Jul	27%	9%	28.97%
Aug	30%	12%	24.72%
Sep	30%	26%	24.40%
Oct	36%	27%	
Nov	38%	33%	
Dec	41%	34%	
Jan	32%	30%	
Feb	28%	21%	
Mar	23%	18%	
Total	31.59%	23.38%	26.63%



7. Resident Experience Plan

Southwark Council's Resident Experience Plan (2025–2030) sets out a clear commitment to transforming how residents interact with council services. The plan was shaped by engagement with over 6,000 residents and businesses, ensuring it reflects the real needs and expectations of the community.

Vision and Purpose

- **Resident-Focused Approach:** The plan moves away from strategies driven solely by internal performance targets, placing the resident at the heart of every service interaction.
- **High-Quality, Consistent Experience:** It aims to ensure that every resident receives a consistent, high-quality experience, regardless of how they access council services.

Key Principles

- **Clear Communication:** Residents are provided with clear information about what to expect and when, including timely updates on their requests.
- **Ownership and Accountability:** Staff take ownership of resident requests, ensuring they are connected to the right service or partner and receive prompt responses.
- **Respect and Empathy:** All interactions are underpinned by respect, trust, and understanding, with particular support for residents in crisis.
- **Accessibility and Inclusion:** The plan prioritises simple, easy access to services for all, especially the most vulnerable, supporting the council's commitment to reducing inequality.

- **Feedback and Improvement:** Residents are offered easy ways to provide feedback, and the council commits to apologising and taking swift action when standards are not met.

Strategic Alignment

- The Resident Experience Plan is closely aligned with the wider Southwark 2030 strategy, supporting its three core principles, including reducing inequality and enabling good lives for all residents.

Implementation

- The plan is described as the "golden thread" running through all council activities, with every staff member playing a role in its delivery.
- Enhanced digital experiences, responsive service, and targeted support for vulnerable residents are central pillars.
- Ongoing staff engagement and training are planned to embed the strategy across all departments.

8. Summary

The rise in complaints and member enquiries indicates both increased demand and enhanced engagement. Improvements in response times, particularly within Housing and Resources, are a positive development. Ongoing attention is required for Stage 2 complaint response times and efforts to reduce maladministration rates. Contact centre performance remains robust, although monitoring of avoidable contact, especially during winter months, is recommended. Progress continues on the Resident Experience Plan, with significant milestones reached and ongoing workstreams underway.

Agenda Item 12

Meeting Name:	Audit, governance and standards committee
Date:	19 November 2025
Report title:	Update report on corporate risk
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 revised format of the corporate risk register to an assurance framework.

2. That the audit, governance and standards committee reviews the revised format and content and provide comments to officers for their consideration prior to the finalisation of the register by the Strategic Director of Resources.

BACKGROUND INFORMATION

3. This report provides an update to committee on the council's key risks. The key corporate risks were last reported to the committee in February 2025. This report provides an interim update.

KEY ISSUES FOR CONSIDERATION

Overview

4. 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

5. The intention of an assurance framework is to provide a structured way of identifying and mapping the main sources of assurance in an organisation in relation to the risks which may affect the achievement of strategic objectives.

6. An assurance framework can also assist in identifying any gaps that may exist as it takes a view of the sources of assurance in place across what is commonly referred to as the ‘three lines of defence’. The first line being the business operations and management controls, the second line being the oversight functions and the third line being internal audit and any other independent assurance providers.

7. This revised version still incorporates risks associated with the council’s normal operations, plus the Southwark 2030 strategy, and attempts to align the corporate risks with the six goals where possible. The table details the different sources of assurance across the three lines of defence and provides a commentary on the level of assurance provided plus a risk score in line with the risk management procedures.

Key corporate risks

8. As set out above, the format of the corporate risk register has been revised and has been reviewed and agreed by CMT. It is attached in appendix 1.

9. The top risks are generally those that have been assessed as amber or red and which appear in more than one departmental risk register, and are therefore relevant to more than one department or would significantly affect the goals of the Southwark 2030 strategy. These top risks are those risks which often require most proactive management to ensure that all appropriate mitigation actions have been considered and are being implemented as far as possible.

Policy Implications

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

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

Community Impact Statement

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Further guidance

14. None required.

Climate change implications

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

Resource Implications

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

Consultation

17. Consultation has not been undertaken.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

18. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
1	The Key Corporate Risks as at November 2025

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources	
Report Author	Laura Sandy	
Version	Final	
Dated	10 November 2025	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments Sought**	**Comments included**
Director of Law and Governance	No	No
Strategic Director of Resources	Yes	Yes
Cabinet Member	No	No
Date final report sent to Constitutional Team		10 November 2025

Southwark 2030 Priority	Risk Description	Risk Score	Mitigation / First Line (business operations / management controls)	Second Line (oversight functions)	Third Line (Internal Audit / other independent assurance providers)	Controlled Risk Score	Assessment of Assurance
Decent Homes for All	**Housing Revenue Account** Overspends on the housing revenue and capital accounts result in the depletion of housing reserves resulting in an inability to set a balanced revenue budget or deliver on the council's housing investment programme.	82	• Creation of recovery plans, scrutinised and supported at a senior level and council wide priority • Review and refresh of the capital investment programme, including affordability criteria and prioritisation • Minimisation of borrowing across the housing investment programme in order to limit impact on the revenue account • Maximisation of income sources, be they revenue (e.g rents) or capital (e.g grant funding) • Review of procurement approach to maximise value for money • Enhanced monitoring and mitigating action plans in relation to Temporary Accommodation costs • Medium-term strategy to restore reserves to a more sustainable level • Realign the strategy for the next phase of new council homes construction to minimise the cost to the council by entering into development agreement	• Budget Recovery Boards • Monitoring reports to CMT and Cabinet • Overview and Scrutiny Committee • Reports to Council Assembly	• Internal Audit • External Audit	69	• Assessment of Assurance is good. There are multiple operational controls with strong oversight from Budget Recovery boards, senior monitoring and independent review via internal and external audit.

			partnerships				
	Asset Management and Building Safety Failure to invest appropriately in the maintenance or management of the council's assets including damp and mould and disrepair issues, to have clear sight of responsibility for assets plus failing to implement the requirements of the Building Safety Act, or a sudden and unforeseen event which may give rise to unacceptable future liabilities and additional budget	**71**	• Housing asset management requirement reset including initial estimates of additional fire and building safety works • Programmes of planned and preventative maintenance (PPM) in place • Capital investment strategy and targeted investment in assets in place • Stock condition surveys and effective monitoring of assets • Insurance programme in place to respond to sudden and unforeseen events • Changes to staff structures that will support new regulations • Actions programme arising from the RSH judgement including electrical and fire safety, improvements to the repairs service • Decent Homes Standard • Ensure the council's Employer's Requirements for new homes construction contracts reflect the most up to Planning, Building Control and Building Safety requirements, including the	• Reports to CMT and Cabinet • Housing Improvement Board • Chief Executives Housing Assurance Board • Strategic Housing Oversight Board • Overview and Scrutiny Committee	• Internal Audit • Regulator of Social Housing • Building Safety Regulator • Independent reviews commissioned by senior management	**54**	• Assessment of Assurance is good. • Strong oversight functions with independent assurance from the RSH and Building Safety regulator.

	pressures, reputational damage and potential legislative consequences.		timing of the Building Safety Gateways • Regularly integrate feedback from defects, Post-Occupancy Evaluation (POE), and handover processes into the Employer's Requirements (ERs) to ensure continuous improvement is embedded throughout the design and delivery cycle. • Adopt a collaborative approach to implementing the Council's Golden Thread strategy, ensuring engagement with other departments to contribute and maintain accurate, up-to-date information throughout the building lifecycle.				
	Temporary Accommodation Increasing Supply to assist with homelessness and reduce demand in the borough	82	• Focused training on Landlord and Tenant law • Procurement options developed to mitigate homelessness impact and TA budgets • Borough mapping to identify areas for new development • Use of private sector housing enforcement and joint working with ASB teams to minimise homelessness Maximising use of own	• Monitoring reports to CMT and Cabinet • Overview and Scrutiny Committee • Housing Improvement Board • Chief Executives Housing Assurance Board	• Internal Audit • Regulator of Social Housing • Temporary Accom Budget Recovery Board chaired by Strategic Director of Resources • MHCLG	67	• Level of Assurance is medium. Some mitigations are at an early stage, e.g. Training on landlord and tenant law, which limits current assurance. Introducing KPIs to track the reduction in the use of TA could

			stock, e.g. Aylesbury voids				improve the operational assessment. Second and third line assurances are good
A healthy environment	**Climate Emergency** Impact of the climate change strategy creates capacity, financial or practical operational challenges and pressures with the potential for reputational damage for any failure in delivery. Residents and the local environment are adversely affected by the climate emergency through threats such as overheating, flooding, water scarcity, food	**74**	• Specific capital investment to tackle climate risks and opportunities • Climate Emergency team established under Climate Change and Sustainability Director • Cross departmental collaboration to further develop the council's strategy • Engagement with stakeholders and partners • Development of council governance structures, policies and procedures to incorporate a commitment to the strategy • Development of clear and funded plan of activity to meet objectives of the council • Clear communication plan with all stakeholders • Continually review costs and affordability of programme and deliverability against 2030 target • Strategies in place such as	• Climate Director Steering Group • Air Quality Partnership Board • Reports to Cabinet • Overview and Scrutiny Committee	• Internal Audit	**47**	• The controls in place are generally adequate and council wide support is provided by The Climate Change Team to assist the organisation in considering climate in every aspect of its activities. Workstreams within the Transformation programme will also provide additional assurance that carbon savings are being delivered.

	security, new pests and diseases.		climate resilience and adaptation strategy and flood risk management strategy • Climate change strategy and action plan • Investment in green homes, e.g. using Modern Methods of Construction, Air and Ground Source Heat Pumps, blue roofs, green roofs etc. • Investment in the SELCHP connection to major estates within the housing portfolio • Explore the cost-benefit of Passivhaus standards, with the aim of informing our future approach to delivering energy-efficient and sustainable council homes.				
A good start in life	**Schools and Education** School deficit balances coupled with the challenge of rising numbers of surplus places in primary schools creates pressure on school budgets and ultimately council	88	• Keeping Education Strong strategy • On-going work with schools to ensure schools in financial difficulties follow the scheme of management and approved deficit recovery plans. • Mergers and closures of schools when all other options have been exhausted. • Training courses on budgets are provided to school business managers,	• Children's and Adult Board • Joint Board of Education Service and Finance officers working under a Licensed Deficit Framework • Reports to Cabinet • SEND Strategic Partnership Board • SEND and Inclusion Quality and Improvement	• Internal Audit • Reporting to the DfE • OFSTED / CQC inspections	29	• There are a range of assurances across both aspects – for the first, audits and Finance report showing that we have more than halved the number of schools in financial deficit and our strategy continues despite headwinds.

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	budgets plus other direct consequences as savings are identified to try and achieve a balanced position. SEND improvement programme via the DfE's 'safety value' initiative fails to deliver the agreed outcomes of the council's SEND Strategy which may impact on children and young people in the borough.		head teachers and governors. • The Council is on track to successfully complete the DfE Safety Valve programme and all payments to date have been received. Strong arrangements in place to continue to project manage this programme. • Building new family sized council homes in areas where population shift is threatening the viability of schools • Enhancing the local school provision where possible, e,g, replacement facilities on the Tustin Estate	Board • Education and Local Economy Scrutiny Commission			• On the second, the Safety Valve programme is on track and all payments to date have been received and actions continue to mitigate the rising demand and costs.
A strong and fair economy	**Acute Socio-Economic Factors** Failure or lack of capacity to react to wider economic and socio-economic trends	83	• Flexible Medium Term Financial Strategy • Capital programme subject to continual review and update to ensure delivery of council priorities • Active but flexible Investment and development programmes which may be deferred, cancelled or scaled	• Reports to CMT • Reports to Cabinet • Regular monitoring of performance against the council delivery programme by strategic directors	• Internal Audit • External Audit	70	• Assurance is provided by a range of sources that the risk is being managed however new transitional relief arrangements for businesses adversely affected

	including changes to central government fiscal policy, inflation and interest rate changes, recession, changes in numbers of homeless, market forces (e.g. London housing market), international and domestic migration; all of which threaten to create either funding shortfalls or compromise the delivery of council services. Business rate revaluation and creation of new multipliers will add to existing pressures for businesses in the retail,		down as high interest rates increase revenue costs • Delivery of Economic Strategy and S2030 strong and fair economy ambitions • Active local stakeholder engagement to communicate issues and to help mitigate risks to business and employment • Regular update of fees and charges and review of new income generating schemes and grants to help mitigate financial impacts and risk of cuts • Transformation programme with various workstreams – renewed focus on long term transformation and refocus of council priorities • Encouraging and support the use of SMEs on new homes construction projects	and cabinet members • Southwark 2030 and Southwark Economic Strategy 2023 to 2030 • Corporate Transformation and Efficiency Board • Overview and Scrutiny Committee • Education and Local Economy Scrutiny Commission			aren't set out till the autumn Budget. Local discretion is unclear at this stage but where it exists it should be targeted carefully to maximise benefit for local economy.

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	hospitality and leisure sector which is a big part of the local economy Ongoing economic uncertainty and cost of living crisis continues to affect wealth and inequality, housing affordability, and complexity of need leading to increasing budget pressures and a worsening financial outlook.						
	Cost of Living Crisis The necessary resources required to support business and residents from the adverse impact of rising costs are not	76	• Maintenance of reserves and appropriate allocation of earmarked council reserves • Inclusion of contingency within budgets • Continued close monitoring of impacts on council services and local economy • Embedding of Southwark Stands Together programme and related cohesion work to	• Budget challenge process implemented and followed • Continual lobbying of government to meet the needs and demand pressures created by the cost of living crisis	• Internal Audit • External Audit • DWP	61	• Assurance is sufficient across the three lines and close monitoring through the Move to UC Taskforce is undertaken. Mitigations are in place through use of the Better Living Fund.

	available from government and this will impact adversely on the funding of other council services and create budget gaps. Impact of cost of living crisis will continue to add a strain on the welfare benefits systems and increase demand for council services such as social care and health, welfare and emergency support and temporary accommodatio n. Council tax collection has not recovered to pre-pandemic (2019-20 levels)		ensure fair and balanced community recovery • Joint Commissioning arrangements with NHS Integrated Care Board to strengthen the partnership between the NHS and local government and to tackle health equality within Southwark • Cross departmental programme board to coordinate activity • Fast and effective delivery of support through Household Support Fund • Liaison with VCS and key partners to delivery community referral pathway • Provision of warm hubs • Assistance / support for customers to ensure income maximisation • Delivery of the energy savers scheme in partnership with CAB • Consistent approach to CTAX debt write-off • Stronger focus on prior year collection balanced with impacts for in year collection • SIIP CTAX Debt project and other test and learn activity relating to CTAX debt in partnership with VCS • Ensuring the quality standard of new council	• Pan London engagement to communicate with government, the voluntary sector and other agencies • Southwark Economic Strategy 2023 to 2030 • Budget monitoring and regular reporting on changes in the cost of delivering services with mitigating actions taken where adverse variances are predicted and adjusting forecasts as necessary • Overview and Scrutiny Committee • Review and redesign of CTR scheme • Respond to MHCLG consultation and lobby for steps to strengthen collection arrangements e.g. HMRC data-			

	Stagnant or falling living standards especially for households with lower incomes will continue to create challenges for council tax collection and see council tax debt levels rise further couple with the outcomes from current Government consultation on CTAX Collection could increase those challenges. Government welfare reforms such as Move to UC create risks for vulnerable households (the ESA cohort) with an unknown number (potentially hundreds or		homes supports affordability for residents • Where possible, proactively future-proofing new homes developments by integrating flexible infrastructure, sustainable technologies, and scalable systems that can accommodate emerging trends, regulatory changes, and user needs over time	sharing			

	thousands) at risk of failing to migrate successfully to UC and destitution or homelessness.						
Staying Well	**Health and Wellbeing** Failure to provide the tools and resources or appropriate support to communities to aid with good health and wellbeing may lead to a continuing decline and result in additional strain on public services, disruption to education, increased inequality and associated economic impacts	89	• Tackling poor air quality through streets for people initiative • Access to free gym and swimming in council leisure centres • Partnership with Southwark Food Action Alliance • Better Living Fund • Partnership working with NHS and voluntary / community organisations to provide a broad range of support in local neighbourhoods • Partnership Southwark – Health and Care Plan 2023 – 2028 • Joint Health and Wellbeing Strategy 2022 – 2027 • Joint Health and Wellbeing action plan 2025 – 2027 • Tobacco Control Strategy 2024 – 2030 • Provision of community facilities in new build council homes developments, e.g.	• Health and Wellbeing Board • Partnership Southwark Strategic Board • Southwark Joint Strategic Needs Assessment • Health and Social Care Scrutiny Commission	• Internal Audit • South East London Joint Health Overview and Scrutiny Committee	77	• There is a range of assurance sources across the three levels

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			green spaces, playgrounds, Multi-Use Games Areas (MUGAs), medical surgeries etc. • Cross-departmental working to ensure better air quality in new council homes sites.				
Safer Southwark	**Crime and Antisocial Behaviour** Failure to tackle crime and anti-social behaviour and / or work effectively with partnership organisations such as community groups and the Met Police in tackling these issues within the borough may lead to social fragmentation as affected communities could experience reduced social cohesion, increased	**64**	• Southwark Women's Safety Charter • Safer Neighbourhoods Team in place • Partnership working with Met Police and community organisations • Programme of improving neighbourhood areas and public spaces for e.g. by improving street lighting • Integrated Offender Management • Minimise void times on new council homes, ensuring they are let as soon as they are ready • Work with Secure By Design to ensure new council homes have built-in passive systems to deter crime.	• Environment, Community Safety and Engagement Scrutiny Commission • Southwark Community Safety Partnership Strategic Needs Assessment	• Internal Audit • Southwark Policing Oversight Board • Southwark Community Safety Partnership including Combatting Drugs Partnership	**20**	• The system of controls is generally adequate and operating effectively, however the council commissioned an independent review of Community Safety to look at where improvements can be made. The review recommends six key changes to the current operating model: better use of shared intelligence; realigning teams to support neighbourhood working; identifying and

	isolation and division and economic consequences						focusing on no more than five hotspot areas; launching a real-time dashboard for decision-makers; and adopting a test-and-learn mindset. These are at the heart of a new approach to community safety and form the focus of delivery over the next three to six months. The findings of that review are currently being implemented and will be reported back to the council's cabinet in September 2025.
	Building Safety and Compliance	**70**	• Regular fire risk assessments to determine adequacy of existing fire precautions, with action plan for any additional measures needed • Physical assessment of high-rise buildings reviewed • True Compliance system in place to ensure monitoring	• Building Safety Board • Monitoring reports to SMT and CMT	• Internal Audit • Regulator of Social Housing • Building Safety Regulator • Independent reviews commissioned by senior management	**44**	• Assessment of Assurance is good. There are multiple operational controls in place and the use of True Compliance digital system provides

			allocation and progress • Compliance servicing team in place to oversee mandatory compliance reporting in gas, fire and electrical safety and legionella, lift servicing and asbestos, sharing insight of risks and identifying gaps • Compliance team will share insight and risks, while providing technical expertise and data • Contract procurement monitoring and review				additional accountability and audit control • Strong oversight functions with independent assurance from the RSH and Building Safety regulator
Cross cutting across Southwark 2030 objectives / other corporate risks	**Cyber Security, IT, Data and Information Management** Total or partial loss of significant core business systems, inadequate data security and the system becoming unfit to meet business needs results in impaired service delivery and	89	• Robust system back-up, firewall, anti-virus and cyber security arrangements in place through council's IT team and the managed IT shared service • Migration of software solutions to hosted managed services in the cloud • Appropriate contractual assurance for both cloud based and hosted services • Ensure all hardware and software is supported for security updates • Regular maintenance and update of disaster recovery and business continuity plans • IT capital improvement	• Alignment to ISO, and, CIS NCSC CAF standards • Regular oversight by STS and LBS to ensure that all controllable risk is managed and council services protected • Quarterly SIRO meetings • Monthly Information Security Forum Meetings. • Joint Management Board meetings • Change Advisory Board	• Internal Audit • ICO investigations / reviews • External accreditation eg Cyber Essentials • Independent Penetration Test on all internal and external systems. • Annual compliance audit for Payment Process under the PCI DSS standard. • CJSM Annual Compliance	78	Level of assurance is sufficient and much progress has been made including; • Cyber Security Strategy has been drafted and under review. • CJSM – Criminal Justice Secure Mail – Completed 349 security questionnaire. • Internal Audit – 2 remaining audit actions pending. • Payment Process Audit (PCI DSS) – Credit / Debit

	performance and impacts on resident satisfaction impacting on the reputation of the council and staff productivity and morale.		programme to continue to bring infrastructure up to an efficient and current standard • Effective policies, guidance, training and controls to ensure staff compliance, provided and updated regularly by the IT shared service • Training and awareness of staff both ongoing and through induction • Development of full insurance cover led by shared service as main provider of infrastructure security • Digital Strategy and Maturity Assessment • Defined and tested recovery point objectives, and recovery time objectives for our Tier 1 (Critical), Tier 2 High) applications.	• Emergency Change Advisory Board • Inter Authority Agreement • Operational Management Group meetings • Robust information governance arrangements including well defined Data Protection Officer and Senior Information Risk Owner responsibilities • Vulnerability assessments and penetration testing • Data protection performance reporting	review. • PSN Code of Connection – compliance validation and • Annual NHS Data Security & Protection Toolkit compliance review.		Card compliance audit carried out by Blackfoot Security on payment processing. (Pay360| Worldpay | MS Azure | Gladstone | STS | Card Stream are under scope for review. All information has been provided. Awaiting PCI Auditor to confirm compliance status. • Security Policies – a number of security policies have been drafted and shared. • Third Party Due Diligence – Risk Ledger application has been selected to manage 3rd Party Due Diligence. • PSN Code of Connection (CoCo) – pentest has been completed and remediation action plan underway. Initiatives include the following: • Server and Laptop Vulnerability Management - a dedicated team equipped with resources and tools

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							has been established. This initiative significantly enhances the capability to manage and mitigate vulnerabilities across the server and laptop estate, ensuring that these risks are effectively addressed, and security posture is strengthened. • Laptop Refreshment Program • The laptop refreshment programme will leverage Microsoft Intune to enhance asset management. This will streamline remote management and application deployment, thereby improving overall operational efficiency and security. • Leveraging Security Operations Centre (SOC) Intelligence The integration of the Security Operations Centre (SOC) has markedly increased visibility into both external and internal threats. The ongoing

							partnership with the NCC Group continues to evolve, providing critical insights and intelligence to proactively defend against potential risks. This will assist and inform new policy and procedures to ensure safer working practices. • Increased Monitoring and Detection of Network Threats Investment in next-generation network appliances, which offer advanced threat detection capabilities. This investment provides deeper insights into threats targeting external assets and supports the expansion of the council's cybersecurity infrastructure.
	Recruitment, retention, resources and capacity A shortage of appropriately skilled and	76	• Investment in a professional resourcing service supported by new recruitment processes and procedures • Targeted recruitment campaigns • Council plan commitment for	• Workforce reporting including publication of annual workforce report • Forthcoming chief executive's	• Internal Audit • Some external accreditation – eg. annual review of our accreditation with the Institute	69	• There is a moderate level of assurance. Work is underway to enhance the council's offering through the

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	experienced staff compromises the ability of the council to deliver services and key priorities creating increased pressure on existing staff which may result in low morale, increased stress and sickness levels and an impact in performance across all departments. Staffing issues also inhibit the operation of an effective workforce strategy in having an engaged, motivated workforce, inclusive workplace, and a ‘one council’ approach resulting in		key-worker housing with focus on social workers, occupational therapists and teachers • Learning and development programmes to support upskilling and career progression • Targeted use of apprenticeships (new hires and existing staff) to address skills gaps • Revised HR Business Partnering offer with a greater focus on workforce planning including succession planning • Annual staff survey to measure employee sentiment • Enhanced internal communication and engagement programme, including annual expo and staff awards • Design and delivery of people strategies	performance dashboard • Quarterly reporting to DMTs and JCCs • Reports to CMT, Overview and Scrutiny, Audit, Governance and Standards Committee, and Cabinet	for Leadership and Management, Disability Confident accreditation, the Mayor of London’s Good Work Standard accreditation		People Plan, improvements made to the recruitment process, apprentice, internship and graduate programmes in place and professional development available for existing staff through sponsorship and management development

	poor organisational behaviours, culture and practices.						
	Medium Term Financial Planning Future budgets (General Fund and HRA) for the council are not sufficiently robust, especially in light of the current economic climate e.g. interest rate volatility and future local government funding changes resulting in restricted council resources, compromised delivery of council services and strategic priorities	88	• 3 year approved budget in place 2024/2025 – 2026/2027 • Planning as far as possible future budgets to show financial risks related to uncertainty of funding • Active lobbying of government from various areas within the council to seek funding clarity • Creation of options which reflect the council's priorities and ambitions and safeguard the provision of mandatory functions • Active engagements through S.151 Chief Finance Officer networks to seek clarity on future funding • Maintenance of adequate levels of balances and reserves	• Budget challenge panels and regular budgeting report system in place including to scrutiny and cabinet • Oversight and scrutiny by Audit, Governance and Standards committee • Statutory reporting on robustness of budget estimates • Reports to CMT • Reports to Cabinet • Overview and Scrutiny Committee review • Budget approved by Council Assembly • Annual Treasury Management Strategy	• Internal Audit • External Audit	69	• There is a range of assurance sources across the three lines and controls in place are proportionate to the risk. The confirmed outcome of future government reforms may affect the risk profile.

	and/or risk of service failure, increased external scrutiny and reputational damage which also potentially due to unprecedented financial pressures, impact the council's reserves restricting the council's flexibility						
	Key Providers and Partners The unexpected failure or non-contractual compliance of a key existing or future provider / partner / contractor resulting in serious disruption to a critical service and potential increased	**60**	• Robust procurement and contracting processes in place safeguarding against foreseen failure • Evaluation of third sector grant programmes • Contingency and business continuity plans to be maintained • Backup contractors in place where appropriate • Robust contract monitoring in place including regular spend and budget reviews • Negotiation with existing providers on contract increases being applied	• Reports to CMT • CSO's and procurement guidance / framework • KPIs and performance reporting to departmental and corporate contract review boards	• Internal Audit	**42**	• There is a range of assurance sources across the three levels. The refreshed Southwark 2030 Procurement Framework along with the requirements under The Procurement Act (2023) have specific obligations for contracting authorities on the reporting and

	expenditure and need for resources to provide an alternative solution with resulting potential reputational damage. Inflationary pressures as a result of general market conditions such as increasing costs and lack of capacity, UK government policy or other sources increases the budget pressures already being faced by the council.						monitoring of contracts aiding with minimising unexpected failure
	Capital Programme and Major Projects The substantial	88	• Re-costing and prioritisation of the council's capital programme • Ongoing quality assurance of processes to mitigate scope for challenge	• Reports to CMT • Reports to Cabinet • Adherence to the prudential code that regulates and	• Internal Audit • External Audit	69	• There is a range of sources across the three levels providing adequate assurance.

	commitment within the 10 year capital programme is not matched by resources, including any impact on property transactions arising from unavoidable external events leading to delays and cancellation in delivery or additional borrowing required causing damage to the council's ability to meet long term priorities and resulting in short term financing or funding implications		• Close inter-departmental working with colleagues to develop overall planning strategies • Work with press office and key partners to manage communication • Key contracts and frameworks being put in place by the council • Appropriate financial provision (MRP) to secure borrowing risk provided for within the HRA and General Fund accounting framework • Monitoring and regular reporting on value and timing of receipts and expenditure • Disposal of surplus assets • Maintenance of reliable cash flow forecast	contains council borrowing and the delivery of the annual treasury management strategy • Capital bids presented to and scrutinised by a Capital Board			Increased flexibility on Right to Buy receipts will enable the council to build or acquire new homes without additional borrowing and the re-costing and prioritisation of the capital programme has also reduced borrowing to prevent unsustainable debt servicing costs.
	Unforeseen Major Event An unforeseen major event occurs which affects critical	83	• Maintain and update disaster recovery and business continuity plans • Engagement with contractors and partners to check their preparedness	• Council's business continuity policy and emergency plan in place, reviewed at least annually and	• Internal Audit	70	• Level of assurance is moderate. There is a range of sources of assurance across

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	services and the council's ability to deliver business as usual resulting in financial strain and impacts on the resilience and wellbeing of staff.		• Flexible, trained staff in place to respond to changes in demand	approved by Cabinet • Undertake practice scenarios to check robustness of business continuity plans			the three lines but the unpredictable nature and timing of a major event could affect the risk profile
	Health & Safety Failure to provide adequate provision of protection of staff, elected members, residents and all relevant stakeholders leading to their safety and / or mental health and wellbeing being compromised. Failure to meet various statutory compliance	76	• Wellbeing initiatives are in place • Cautionary contact warning system in place • H&S management system in place, with associated policies and procedures regularly reviewed and updated • Regular communication and commissioning of H&S training • Use of Assure system for incident reporting / capture of risk assessments • Establishment of a health surveillance programme for staff in progress • Occupational Health contract in place • Statutory compliance programme in place across	• Assurance checks and service audits carried out on a regular basis • Risk assessments in place including individual risk assessments where required • Established H&S committees in place with regular meetings throughout the year • Reports to CMT	• Internal Audit • HSE inspections / reviews (enforcement related) • Various external accreditation / inspections completed at a local level e.g Leisure Centres	61	• Level of assurance is moderate. There is a range of assurance sources across the three lines however some general oversight at a high level may be missing in terms of reporting of H&S / statutory compliance across the council estate. Proactive work is underway to improve this through the Corporate Real Estate / Strategic Asset Management

	requirements across different council services leads to regulatory action including the possibility of monetary fines resulting in reputational damage and financial strain.		the corporate estate and managed by Corporate Facilities Management				Transformation Programmes. • Development of the H&S Plan is underway which will feature a H&S action plan.

Agenda Item 13

Meeting Name:	Audit, Governance and Standards Committee
Date:	19 November 2025
Report title:	Southwark360: Progress on the Enterprise Resource Planning (ERP) Replacement programme
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Clive Palfreyman, Strategic Director of Resources

RECOMMENDATION

1. That the Audit, Governance and Standards Committee note the report on progress with the Southwark360 Programme for replacement of the council's Enterprise Resource Planning system by April 2027.

BACKGROUND INFORMATION

2. Southwark has used the SAP Enterprise Resource Planning (ERP) system (Business Suite 7) for HR, Finance, Purchase to Pay and Payroll since 1999. There are several fundamental issues with the current system that require modernisation to support a modern, dynamic organisation:

   - Reporting for finance, budget and people managers within SAP is limited and time-consuming.
   - Current system is not mobile enabled or available off-network, so staff require a Southwark laptop to access the system.
   - To ensure the SAP system provides essential functionality, additional bolt on systems have, over time, been purchased and maintained with varying degrees of complexity and success.
   - Staff find HR processes difficult to navigate and this has resulted in inefficiencies and compliance challenges.
   - The system is not easily adapted to policy and legislative changes, requiring reliance on a broad range of support partners and internal resources to maintain it.

3. The current SAP system will go out of support in 2027 and will be retired in 2030. Market testing took place during 2022 along with reference calls to several regional and London local authorities to understand their experiences of implementing ERP solutions.

4. An outline business case was approved by the Corporate Management Team (CMT) in March 2023 that set out the ambitions for a transformational and futureproof ERP solution for HR, Finance, Procurement and Payroll

services that will support our Future Southwark goals.

Programme vision and benefits

5. The Programme Vision was developed with sponsors, senior leadership and stakeholders, and is informed and guided by Southwark 2030 and our Technology and Digital Strategy:

- Our vision is to enable a resilient, future-ready council that empowers our people, unifies our workforce, and strengthens how we work together.

- We will have modern, reliable, and cost-effective tools that allow us to deliver efficiently and make confident data-informed decisions that provide greater financial assurance and control.

- Our people will thrive with better systems and clearer processes, enabling them to work smarter in a digital culture, grow together professionally, and shape the future of our council.

6. Southwark360 is a major transformation initiative aligned with the Council's Southwark 2030 Strategy and Technology & Digital Inclusion Strategy. It aims to improve resident and customer experiences, empower staff with modern and secure technology, and embed a digital-first culture that supports new ways of working. Benefits will be realised through improved contracts, system capabilities, process redesign, and social value contribution

7. The programme is reshaping core business processes, replacing outdated and fragmented practices with integrated, efficient systems. It follows proven ERP design principles from successful Local Government implementations to ensure sustainable change across services and systems.

8. Southwark360 will deliver wide-ranging financial and non-financial benefits for staff, residents, and suppliers, structured under eight strategic themes:

   - Resilience – Strengthens the Council's ability to operate sustainably and cost-effectively.
   - Decision-making – Empowers budget holders with reliable data for confident resource planning.
   - One Council – Promotes collaboration and consistent employee experiences across departments.
   - Customers – Enhances satisfaction through smoother, faster service interactions.
   - Workforce – Equips staff with better tools to deliver high-quality services.
   - Data Security – Builds trust in the protection and governance of sensitive information.
   - Scalability & Flexibility – Future-proofs technology and infrastructure for

evolving needs.
- Suppliers – Improves vendor confidence through timely, accurate payments.

Mobilisation Phase (April 2023 – September 2025)

9. The initiation of the Programme subsequently commenced April 2023 with the Mobilisation Phase whose key priority was planning, resourcing and establishing a procurement framework for the new solution.

Figure 1- Southwark360 Programme Phases

10. Given the Council's current ERP landscape - the historic issues, sub-optimal processes, resource-intensive maintenance, business readiness - and the complex and extensive procurement, it was essential to undertake mobilisation projects prior to the start of the implementation as we needed to provide greater confidence and de-risk the Council from undertaking a programme of this scale within the required timelines.

11. A multi-lot procurement strategy was developed with individual contracts awarded for each component of the solution. This enabled targeted sourcing, specialist delivery, and greater flexibility across the programme. The solution was divided into seven distinct lots (contracts):

- **Lot 1 – Vendor**: The new ERP system and licenses for a period of 10 years.
- **Lot 2 – Systems Implementer and Early Life Support**: To implement the system and include Early Life Support (3 - 6 months subject to deployment phases), and essential reporting (i.e. legislative and statutory reports/returns).
- **Lot 3 – Business Change**: To cover the business and people change affected by implementing a new system – including post go live activities for up to 12 months.
- **Lot 4 – Data Migration**: To migrate the data from SAP to the new system and support business with extensive data cleansing
- **Lot 5 – Reporting**: To build the reports across all the workstreams as required and integrations with other third-party solutions in place of the Council.
- **Lot 6 – Support**: To support the system when Early Life Support ends.
- **Lot 7 – Archiving**: To ensure legacy data can be accessed via a read only solution

12. A Gateway 1 report was approved at the June 2024 Cabinet, delegating approval of contract awards for the seven Lots to the Strategic Director of Resources in consultation with the Cabinet Member for Equalities,

Democracy and Finance.

13. Lot 1 Vendor ten-year contract was awarded to SAP for their SAP S/4 HANA Public Cloud ERP Solution, commencing 30 June 2025.

14. Lots 2-5 for the remaining implementation partners were awarded in August 2025 with remaining lots for Support and Archiving to be tendered in 2026. Awards were as follows:

- Lot 2: HCL Technologies UK Limited are the Enterprise Resource Planning System Implementation Partner with a contract for a period of two years, with the option of one further one-year extension.

- Lot 3: Veran Performance Limited are the Enterprise Resource Planning Business Change Partner with a contract for a period of two years, with the option of one further one-year.

- Lot 4: HCL Technologies UK Ltd are the Enterprise Resource Planning Data Migration Partner with a contract for a period of two years, with the option of one further one-year extension.

- Lot 5: Infosys Ltd are the Enterprise Resource Planning Reporting Partner with a contract for a period of two years, with the option of two further one- year extensions.

15. The mobilisation phase of the programme delivered key outputs to enable the council's readiness for implementation. These included development of resourcing plans, role specifications, risk assessments and mitigation plans, data assessments, legacy system identification and assessment for decommissioning, development of governance structures and terms of references, change, communication and engagement strategies and plans, as well as other key artefacts.

16. To reduce programme risk and prepare for large-scale implementation, several foundational projects were launched in previously underinvested areas. These initiatives—either completed or ongoing—are enhancing workforce readiness, data quality, and process maturity:

- **Establishment Management**: Improving employee data accuracy to support new budget and hiring controls.
- **'As Is' Process Mapping**: Documenting current HR and Finance workflows to enable gap analysis and guide change.
- **Data Cleansing**: Cleaning legacy Finance, HR, and Payroll data for smooth migration.
- **No PO No Pay**: Driving procurement culture change to improve compliance and support Source to Pay design.
- **Scheme of Management Redesign**: Strengthening financial governance and standardising departmental approval processes.

- **Income Recovery**: Enhancing sundry debt collection and data quality, aligned with the Corporate Debt Strategy.

PROGRAMME FINANCE AND BUDGET

Programme Budget

17. The Gateway 1 report in June 2024 set out the estimated cost for the initial three-year term of £22.75m. Post implementation the Gateway 1 report estimated that there would be further costs of £12.9m, bringing the total cost to £35.7m over the 10-year period. The council has set aside £22m from reserves to fund the implementation of the new ERP solution together with a yearly budget of £0.809m.

18. At inception of the programme, 29 system and support contracts were identified as ERP-related. There were brought into a single programme cost centre to better manage and oversee the ERP systems and support costs from 2024-2025 onwards. Following demonstration and award of the Lot 1 Vendor contract, the programme expects the new ERP solution to replace over 20 of these legacy systems and support contracts. Eight of these legacy contracts have fixed budgets that have been combined to provide a fixed budget for the ongoing system and support contracts of £809,000 per annum. The remaining legacy applications do not have fixed budgets and represent current additional annual cost of approximately £228,000 per annum. Additional budget will need to be allocated for the full cost of the systems.

19. As the programme moves through the Explore stage (December 2025 – May 2026) where the solution design and change impact is better understood, the programme will be able to confirm any further inclusion and decommissioning of ERP-related systems, and therefore further refine the associated costs and fixed budget position.

Programme Savings

20. To date the programme has realised one-off financial benefits through the Finance and HR and Payroll Data Cleanse and Income Recovery projects and continues to pursue delivery of these types of benefits in advance of the launch of the new system.

21. The programme was allocated savings targets within the Policy and Resources Strategy 2024 - 2027 for 2026-2027 of £700k predicated on the replacement of the new solution. Following award of Lots 2 – 5 contracts in August 2025 and subsequent development of the Implementation plan, it is determined that these permanent savings will not be delivered until the implementation of the new solution, which is currently planned for completion in April 2027, financial year 2027-2028. Officers are exploring options to mitigate this delay to ensure there is no budgetary impact in 2026/27.

22. The programme is prioritising the development of plans following completion of solution design (target May 2026), to deliver these long-term savings through the benefits realised on process improvement and increased capability.

Monitoring and control

23. Monitoring of the programme budget and finances is a critical part of the programme control. Overspend is a key risk and is common in large ERP implementations. As such, the Programme Director, Senior Responsible Owner (SRO) and Sponsors have agreed additional layers of control to mitigate the likelihood of this risk.

24. The programme governance set out in the following section of this report will provide for monthly finance / budget monitoring meetings with Professional Finance Services; better enabling pre-emptive actions and reducing likelihood of unplanned spend.

25. Contract management of the successful suppliers will be undertaken throughout the implementation period, with each contract deliverable monitored and tracked against the related payment milestones, and ongoing management to reduce cost and ensure value for money.

26. A Contract Management Plan is being developed that sets out how the contracts will be governed and managed across the lifetime of the programme, providing risk mitigation to contract deviation and overspend.

27. Recruitment of the delivery resources is being sufficiently balanced between internal secondments and external recruitment to provide a good blend of expertise and skills, provide for successful transition to operations through upskilling throughout the implementation period, and to be more cost-efficient by avoiding overheads of agency and contract staff where practical.

28. The Programme Sponsorship Board will be approving an Implementation Budget in November 2025 that will provide the baseline for the next 18 months of delivery.

KEY ISSUES FOR CONSIDERATION

Programme governance

29. The Programme governance for the Implementation Phase has been revised to ensure a streamlined, clear line of sight from operational workstreams to strategic level.

30. The governance model is a proven model for ERP implementation and tailored for Southwark Council to ensure that it provides for additional oversight by senior leadership and Members, and additional layers of control and governance for benefits realisation and achieving social value.

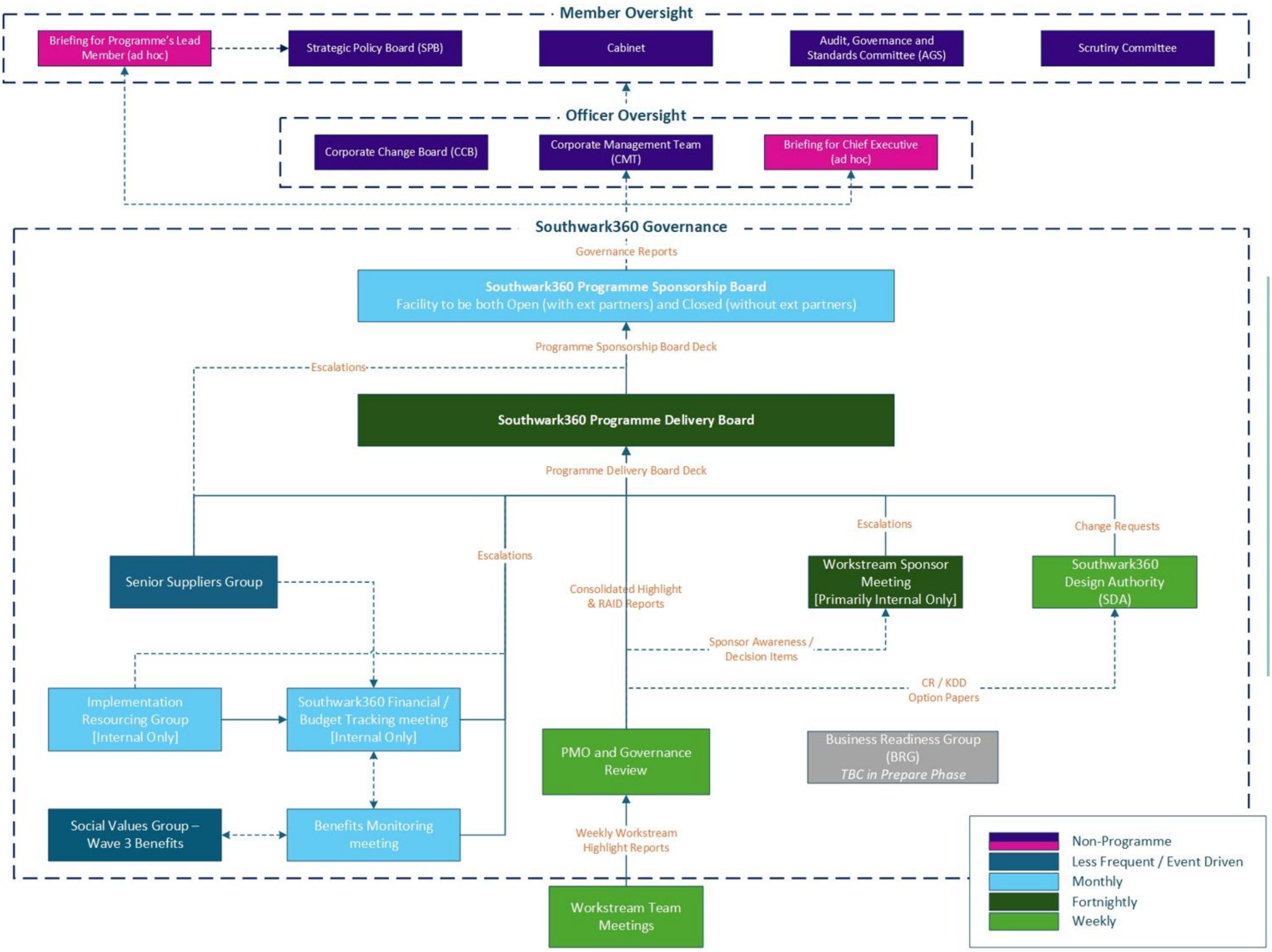


Figure 2 - Southwark360 Programme Governance

Programme scope

31. Risks around programme and project scope creep have been identified early and mitigation plans have been put in place to reduce the likelihood and impact of these being realised. This includes detailed review of the licencing as well as highlighting the need to adopt and not adapt recommended SAP processes.

32. Fundamental to managing scope is ensuring the Lot 1 Vendor Bill of Materials (vendor products) meet the requirements chosen by Southwark Council and these have been re-validated by our implementation partners early (Lots 2 – 5) to identify any gaps or anomalies that need addressing.

33. A change control process has been developed, and the Solution Design Authority illustrated in the programme governance structure will enforce a strictly defined change control process that interfaces with Southwark's technical and digital services as well as the programme's business change workstream.

Adoption of new solution

34. The council's workforce will be fully represented on the new ERP solution with their own user account to access their people information and processes; this includes permanent, fixed term and part-time employees, agency and contract workers, councillors, and other types of workers.

35. Comprehensive and robust business change strategies will be implemented to ensure new ways of working replace older, localised ways, and are embedded and sustained to ensure consistent, effective processes.

36. Onboarding 900+ non-desk-based workers and 900+ agency workers presents a challenge as well as an opportunity to unify our people through common experiences and processes, provide a single view of the workforce, and support a One Council approach.

37. As part of the implementation governance structure, a Business Readiness Group will be in place from the Explore stage of the programme to support cross-council change in departments more effectively.

Data quality and maintenance

38. The programme provides a greater opportunity for the council to maintain and promote good data quality of our HR, purchasing, finance, supplier and customer data, and enhance compliance with data retention policies through the use of technology and automation.

39. We have implemented robust data strategies to ensure cleansed data remains clean, and that decisions on data archiving and migration are well informed. Quarterly data deep dives are in place with the SIRO to consider data risks/ issues and the progress of cleansing and preparatory work.

40. The procurement of an archiving solution (Lot 7) is a key element of the programme to put in place a resilient and compliant solution for data archiving, deletion and retention that will require less manual handling and cleansing in the future.

Supplier management

41. The programme is awarding contracts to eight suppliers for between 2- and 10-years duration. It is imperative to ensure a strong strategic partnership from the outset, with dedicated contract manager and robust governance.

42. Quarterly strategic meetings are in place with SRO and SAP Head of Public Sector to ensure foundations are in place for a productive and mutually beneficial relationship.

Prioritising the programme within the change portfolio

43. The Southwark360 Programme is wide-reaching and impacts many of the

council's core functions, so it is essential to prioritise council resource for solution design, testing, and training.

44. Mobilisation projects have laid strong foundations to support the hard work of implementing the council's new ERP solution, for which continued advocacy from senior leadership is paramount.

45. The Southwark360 Programme continues to work in partnership with Future Southwark and to act as an enabler for the council's transformation portfolio; as we move into implementation and solution design, it will be even more essential to share outputs and plans with each other so that we can identify and maximise opportunities for the transformation portfolio.

Policy framework implications

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

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

Community impact statement

47. This report and the accompanying accounts are not considered to have a direct impact on local people and communities.

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Further guidance

50. None required.

Climate change implications

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

Resource implications

52. The resources required to deliver the programme have been outlined in the Programme Finance and Budget section of the report and the associated key decision report on the procurement strategy that is noted in the background papers.

Consultation

53. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

54. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Gateway 1, Procurement Strategy	Decision - Gateway 1 - Procurement Strategy Approval: Replacement of the Enterprise Resource Planning System - Southwark Council	Jason Martin
Gateway 2, Lot 1 Contract Award	https://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=8228	Jason Martin
Gateway 2, Lot 2 and Lot 3 Contract Award	https://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=8401	Jason Martin
Gateway 2, Lot 4 and Lot 5	https://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=8402	Jason Martin
Policy and Resources Strategy 2024 – 2027, Appendix B	https://moderngov.southwark.gov.uk/documents/s118559/Appendix%20B%20-%20Proposed%20Efficiencies%20and%20Improved%20Use%20of%20Resources.pdf	

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources
Report Author	Jason Martin, Programme Director
Version	Final
Dated	10 November 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		10 November 2025

Agenda Item 14

Meeting Name:	Audit, governance and standards committee
Date:	19 November 2025
Report title:	Retrospective approval for Gateway report (Print Management Services)
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	No
From:	Head of Business Strategy, Corporate Facilities Management, Governance and Assurance

RECOMMENDATION

1. That the reasons set out in paragraphs 7-10 for the retrospective approval of the 12-month contract extension for Print Management Services with Corporate Document Services Ltd. (CDS) be noted.

BACKGROUND INFORMATION

2. The Cabinet Member for Finance, Performance and Democracy as the relevant Individual Decision-maker (IDM), approved the award of the Print Management Services contract to CDS for an estimated annual value of £800,000 over a period of three years starting 28 February 2022, with a provision for an extension of 12 months, making a total estimated contract value of £3,200,000.

3. The subsequent Gateway 3 variation report was presented to the Assistant Chief Executive of Governance and Assurance retrospectively for approval on 24 June 2025 for a variation of the contract for Print Management Services with CDS for a period of 12 months from 28 February 2025, at an estimated cost of £690,399.

4. The revised actual spend over four years increased to £3,225,570, exceeding the estimated contract spend by £25,570. This was due to increased contract demand and spend by electoral services in year three of the contract.

5. Corporate Facilities Management (CFM) manage the contract that provides print management services to a variety of internal business units, excluding those relating to council tax. The printing needs of the council are wide-ranging and are critical to its day-to-day business functioning. This includes (but is not limited to) headed paper, newsletters, formal legal notices, large banner notices on council building sites, leaseholder invoices and statements, meeting agendas and election ballot papers.

6. This is a demand-led service, and the quantity of mail printed and sent out varies from month to month, and in a cycle of years, according to known needs (e.g. garage lease renewal notices for council, annual leaseholders' statements, material for local elections and pension renumeration statements), but also for more unpredictable trends (e.g. material for general elections). Additional products and print-runs can be ordered according to individual business unit needs and initiatives through ad-hoc requests.

KEY ISSUES FOR CONSIDERATION

7. The Gateway 3 report, for the contract extension with CDS from February 2025 to February 2026 was significantly delayed due to resourcing issues within CFM.

8. Following discussions, CDS agreed to continue to deliver the services under the terms of the existing agreement whilst awaiting a formal contract extension.

9. The CFM Procurement Manager post had been vacant for over 12 months and this lack of capacity within CFM contributed to delays in governance, resulting in the failure to secure timely approval for the contract extension.

10. Following a further recruitment round, the role is now being covered by a 12 month internal secondment with close management supervision and training. Work is being carried out to bring all further contract timetables and awards in line with governance.

11. All contracts and their related procurement activities are now being monitored and reviewed monthly by the Head of Business Strategy (CFM) and the respective contract managers. Additional procurement resource is being sought where necessary to ensure seamless delivery is maintained.

Policy framework implications

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

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

Community impact statement

13. This report is not considered to have a direct impact on local people and communities.

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Further guidance

16. None required.

Climate change implications

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

Resource implications

18. If there are direct resource implications in this report, these will be met from existing budget provision.

Consultation

19. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

20. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Gateway 2 - Contract Award Approval Print Management Services		Stuart Robinson-Marshall
Gateway 3 - Extension of Print Management Services		Stuart Robinson-Marshall

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Stuart Robinson-Marshall, Head of Business Strategy		
Report Author	Stuart Robinson-Marshall, Head of Business Strategy		
Version	Final		
Dated	19 November 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			10 November 2025

Agenda Item 15

Meeting Name:	Audit, Governance and Standards Committee
Date:	19 November 2025
Report title:	Report on retrospective contract-related decision: Housing Aids and Adaptations
Ward(s) or groups affected:	All
Classification:	Open
From:	Director of Repairs and Maintenance

RECOMMENDATIONS

1. That the Audit, Governance and Standards Committee note the part retrospective contract decision detailed in the report.

2. That the Audit, Governance and Standards Committee note the actions taken by the Director of Repairs and Maintenance as set out in paragraphs 11 to 15 to ensure that the risk of future retrospective contract decisions is minimised for the future.

3. That the Audit, Governance and Standards Committee consider whether it would wish to make recommendations to help improve future decision-making.

BACKGROUND INFORMATION

4. The extension of contracts for contractors delivering housing adaptations plays a critical role in enabling vulnerable households to live independently and safely. The works are driven by formal assessments carried out by Adult Social Care Team, who evaluate the individual's needs to maintain or improve their quality of life. Once the need is identified, the Housing Adaptations team translates the assessment into a detailed technical specification. This ensures that the adaptations are not only compliant with relevant regulations and standards but are also tailored precisely to the individual's physical, cognitive, and environmental requirements.

5. The value of this contract extension lies in its ability to maintain continuity of service, uphold high standards of delivery, and respond promptly to urgent needs. It ensures that vulnerable residents receive timely interventions that prevent deterioration in health, reduce dependency on care services, and promote dignity and autonomy within their homes. By retaining experienced contractors familiar with the council's expectations and processes, the extension also safeguards quality, consistency, and cost-efficiency. These contractors understand the nuances of working in sensitive environments and are equipped to deliver bespoke solutions that meet both technical and individuals' needs.

Financial Summary

Contractor	Spent (Feb–Sept 2025)	Works in Progress	Projected Spend (Oct 2025–Feb 2026)
PFG	£243,168.77	£168,901.29	£295,934.66
Spokemead	£162,785.82	£116,283.27	£312,926.19

Summary	Amount
Spent to Date	£405,954.59
Forecast to Spend	£894,045.41
Total Budget Available	£1,300,000.00

6. Where an approval of a contract decision has been sought retrospectively and has an estimated value of more than £100,000, there is a requirement under Contract Standing Order (CSO) 6.7 to submit a report to the Corporate Contracts Review Board CCRB and to the Audit, Governance and Standards Committee. The report should set out the circumstances and the way the decision was taken, for the purpose of obtaining guidance to inform future decision making.

7. This requirement applies to decisions relating to the approval of a procurement strategy (Gateway 1 or GW1), decisions relating to the approval of a contract award (Gateway 2 or GW2) and decisions relating to the approval of a variation or extension to a contract (Gateway 3 or GW3) decisions.

8. Retrospective approval of the procurement process was sought through a Gateway 3 report. The specialist services team were trying to ensure that as a social landlord, the council met its statutory obligations under the Landlord and Tenant Act 1985 to ensure it has the capacity to continue to deliver housing aids and adaptions works across the borough and has a duty of care to deliver welfare services which included adaptations to the homes of vulnerable Residents.

9. On 7 October 2025 the Strategic Director of Housing approved a variation/extension to two contracts through a Gateway 3 report. The approval of the variation/extension was a retrospective decision. A separate report was presented to the CCRB on 23 October 2025 in accordance with CSO 6.7.

KEY ISSUES FOR CONSIDERATION

Why approval was not sought earlier

10. In addition to the challenges related to TUPE, the Specialist Services team within Repairs faced conflicting priorities, including a high volume of fire safety tasks and the requirement to deliver detailed updates to the Social Housing Regulator. These competing demands resulted in delays in providing the necessary information to the AMPT, which was essential to initiate the contract extension process.

Action to be taken to ensure risk of future retrospective contract decisions is minimised for the future

11. To reduce the risk of future retrospective contract decisions in service delivery, the internal specialist services team has recognised the lessons learnt from this challenge and is currently strengthening its approach to contract exit planning and TUPE compliance to ensure this situation does not arise again. Enhancements include providing contract management training to embed clear termination protocols and timelines within all contracts, maintaining an up-to-date list of contractor employees throughout the full contract term by making TUPE a standing item on progress meeting agendas, and mandating early submission of TUPE data from existing contractors, ideally three months before contract expiry. In addition, a dedicated TUPE coordinator will oversee transitions, and a standardised TUPE checklist is being implemented internally to ensure consistency and accountability across all contracts.

12. Performance management and monitoring are now being rigorously enforced to ensure contractor accountability. The internal specialist services team is actively conducting regular reviews to identify risks early, with penalty clauses applied for non-compliance with TUPE obligations or failure to respond to clarification requests. Internally, responsibilities have been clearly delegated, and targeted training on TUPE and transition processes is underway to eliminate misunderstandings and prevent delays

13. To further strengthen governance, reporting mechanisms are being significantly enhanced. Procurement timeline tracking is now actively used to monitor progress and flag delays, while contingency planning for service continuity has become a standard requirement. All TUPE-related communications and decisions are being robustly monitored, formally documented, and centrally stored, ensuring full transparency. Additionally, the GW3 reporting process is being updated to reflect dependencies on TUPE timelines and data accuracy. These measures collectively provide stronger oversight, smoother transitions, and more proactive contract management.

Early Issue Detection Mechanisms

14. Proactive monitoring and early intervention strategies are being embedded to ensure excellent service delivery and avoid delays in procurement, including contract extension requests. These enhancements include:

- **Regular Audits:** Scheduled reviews of contract documentation and all relevant data required for procurement exercises to identify gaps early and maintain compliance is now being conducted.
- **TUPE Review:** Up-to-date staffing data is being actively maintained, discussed at every progress meeting, and formally recorded to ensure accuracy and readiness for any transition requirements.

Summary

15. Officers in the legal and procurement sections have discussed and agreed with the conclusions set out above and it has been considered by the Corporate Contracts Review Board.

Policy framework implications

16. The extension to these contracts will assist the council to continue to contribute to the Southwark 2030 Delivery Plan 2024 to 2026 of decent homes for all and fulfil its duties as a landlord and employer providing housing aids and adaptations to vulnerable Residents.

17. The extension to these contracts will enable the council to continue to meet its legal obligations as a social housing provider under the Landlord and Tenant Act 1985 ensuring it has arrangements in place to maintain its council housing buildings and carry out the scope of works.

Community impact implications

18. These contracts are of a medium to high impact on residents and other stakeholders as these works will be done internally to deliver installation of varying equipment to assist residents who have physical impairments.

19. Property Facilities Group Ltd. and Spokemead Maintenance Ltd. confirmed that they can continue to meet the requirements of the Southwark 2030 commitments, and this will be reported as part of the ongoing annual performance review.

Resource implications

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

Consultation

21. No consultation has taken place.

Supplementary advice from others

Assistant Chief Executive – Governance and Assurance

22. This report requests the Audit, Governance and Standards Committee to note the recommendations outlined in paragraphs 1 to 3 of this report.

23. It is confirmed that the procedure outlined in paragraphs 6 to 9 of this report regarding retrospective approvals is in compliance with CSO 6.7.

24. Paragraphs 10 to 13 of this report highlight the reasons why approval was not sought earlier. Paragraphs 14 to 18 outline the actions that the council will take to minimise future risk of retrospective decisions, including early detections mechanisms.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Constitution – Contract Standing Orders	Constitutional Team, Second Floor, Tooley Street	Constitutional Team 020 7525 7055
Gateway 3 – Variation Decision Housing Aids and Adaptations Contracts (North, Middle and South) report dated 7 October 2025	Constitutional Team, Second Floor, Tooley Street	Constitutional Team 020 7525 7055

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Ryan Collymore, Director of Repairs and Maintenance	
Report Author	Keith Kiernan, Specialist Services Contract Manager	
Version	Final	
Dated	10 November 2025	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments Sought**	**Comments Included**
Corporate Contract Review Board	Yes	Yes
Assistant Chief Executive, Governance and Assurance	Yes	Yes
Strategic Director of Resources	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		10 November 2025

Agenda Item 16

Meeting Name:	Audit, governance and standards committee
Date:	19 November 2025
Report title:	Housing Revenue Account (HRA) Governance and Financial Monitoring
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 contents of this report and provide feedback or recommendations as appropriate.

PURPOSE OF THE REPORT

2. This report provides an update on the governance arrangements for the Housing Revenue Account (HRA), with a focus on financial and performance monitoring for 2025-26, and the budget-setting process for 2026–27. It is intended to support the Committee's oversight role in ensuring transparency, accountability, and value for money in the management of the HRA.

BACKGROUND INFORMATION

3. Southwark Council manages one of the largest local authority housing stocks in the UK. The HRA is a ring-fenced account for income and expenditure related to council housing. Following a significant budget deficit in 2023–24, the Council implemented a Recovery Plan to restore financial resilience and ensure long-term sustainability of the HRA. Effective governance is essential to ensure compliance with statutory requirements, financial sustainability, and the delivery of high-quality housing services.

HOUSING REVENUE ACCOUNT FINANCIAL OVERVIEW

4. The Recovery Plan is being implemented in two distinct phases - phase 1, covering the initial three-year period from 2023-24 included a spending moratorium in year 1 , the introduction of strict service cash limits and savings targets for 2024–25 and 2025–26, flexibility in the application of revenue contributions to finance the capital programme, the disposal of obsolete and uneconomic assets, and the pausing of pre-construction New Homes sites to limit borrowing costs. Phase 2, commencing in 2026, will focus on resetting both revenue and capital budgets to sustainable levels,

repaying temporary borrowing, restricting new unsupported borrowing, and rebuilding reserves to a prudent target level of £50 million.

FINANCIAL POSITION 2025-26 FORECAST

5. The last reported position to Cabinet was period 4 (July 2025), which forecast a £10.1 million deficit. This is driven by a range of income factors including an increase in void volumes, extended turnaround times, and delays in letting new stock and billing major works accounts. On the expenditure side, there was a £6.6 million overspend on repairs and maintenance, largely due to the ageing housing stock and rising costs associated with regulatory compliance. To mitigate these pressures, a £9.2 million reduction in revenue contributions to capital was implemented. This will necessitate the identification of a matching amount of funding for the capital programme to compensate, most likely through additional asset disposal.

6. The latest period 6 forecast (September 2025), anticipates a slight improvement on this position reflecting the impact of tighter financial controls and the partial delivery of savings. That forecast will be presented to Cabinet in December. Nonetheless, risks remain, particularly within repairs and maintenance, and further mitigations will be necessary over the second half of this financial year, to ensure the HRA remains within its 2025–26 cash limits.

BUDGET SETTING 2026-27

7. The HRA is wholly reliant on its income streams, primarily rents, service charges, garages, and commercial property. Budget planning for 2026–27 will continue to be shaped by the principles of the Recovery Plan, with allocations determined by service need and priority within the overall resources available.

8. This process will accelerate over the coming months, following Cabinet's review of the period 6 position (December 2025) and will be influenced by government proposals on the reintroduction of rent convergence, which will be announced in the Autumn statement on 26 November 2026. Key financial disciplines will remain in place, including the prioritisation of statutory and front-line services, the formulation of service cash limits, the continued generation of receipts through asset disposals, and the reduction in borrowing to minimise revenue financing costs. Directorate-led savings plans are also key to achieving a balanced budget with decisions made through established governance channels and incorporated into the Medium-Term Financial Strategy (MTFS) reports to Cabinet.

MEDIUM-TERM FINANCIAL STRATEGY (MTFS)

9. The HRA Business Plan is undergoing an update to account for key financial pressures and strategic priorities, including inflation, interest rate fluctuations, and increased investment requirements across repairs, maintenance and the capital programme. The revised plan will reinforce the

robustness of financial assumptions and maintain alignment with the Recovery Plan's principles. Its overarching aim is to secure long-term financial sustainability over a 30-year planning horizon by rebuilding reserves to a more prudent level and limiting future borrowing requirements.

GOVERNANCE FRAMEWORK

10. The HRA governance framework brings together strategic oversight and operational management to ensure effective delivery and financial sustainability. At the strategic level, the Budget Recovery Board (BRB) provides oversight of financial management and supports the implementation of the Recovery Plan to safeguard the long-term viability of the HRA. The Housing Improvement Board (HIB) leads on long-term transformation processes in response to the Regulator of Social Housing's judgement. Internally, operational delivery is led by the Housing Senior Management Team (SMT), while procurement and contract performance are monitored through both Departmental and Corporate Contract Review Boards to ensure financial scrutiny and compliance. The Strategic Debt Recovery Board oversees debt management, primarily rents and service charges, and the Delivery Programme Board oversees the implementation of the Housing Investment programme (HIP).

11. Within the Housing and Modernisation Directorate, monthly tracking of key performance indicators supports ongoing oversight of service delivery. HRA-related risks are embedded within the Council's corporate risk register and are subject to regular review. In addition, internal audit coverage is planned annually, with findings reported directly to the Audit, Governance and Standards Committee to support assurance and continuous improvement.

POLICY FRAMEWORK IMPLICATIONS

12. This report does not propose changes to existing policies or introduce new policy directions. However, it supports the Council's overarching policy framework by strengthening financial governance and ensuring alignment with the Housing Revenue Account Recovery Plan and Medium-Term Financial Strategy.

COMMUNITY, EQUALITIES, INCLUDING SOCIO-ECONOMIC) AND HEALTH IMPACTS

Community impact statement

13. While this report does not directly affect local residents or communities, it underpins the financial governance necessary to sustain housing services. Strong financial oversight contributes to the long-term delivery of safe, affordable, and well-maintained homes, which are critical to community wellbeing.

Equalities (including socio-economic) impact statement

14. This report does not contain proposals that would directly impact individuals or groups with protected characteristics. However, by supporting the financial sustainability of the HRA, it indirectly contributes to the equitable delivery of housing services, particularly for residents in socio-economically disadvantaged circumstances.

Health impact statement

15. There are no direct health impacts arising from this report. Nonetheless, effective financial management of the HRA supports the delivery of housing services that contribute to residents' physical and mental wellbeing over the long term.

Further guidance

16. None required.

CLIMATE CHANGE IMPLICATIONS

17. This report does not introduce or assess any proposals with direct climate change implications. However, the financial governance it supports is essential to enabling future investment in energy efficiency and sustainability measures within the housing stock.

RESOURCE IMPLICATIONS

18. The report does not propose new resource allocations or spending commitments. It provides an update on the financial position and governance of the HRA, which is critical to ensuring that existing resources are managed effectively and that future investment decisions are financially sustainable.

CONSULTATION

19. Given the internal and technical nature of this governance and financial monitoring update, public consultation is not required. Relevant officers and governance boards have been engaged through established internal processes.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

20. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Timothy Jones, Director of Corporate Finance		
Version	Final		
Dated	10 November 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			10 November 2025

Agenda Item 17

Meeting Name:	Audit, Governance and Standards committee
Date:	19 November 2025
Report title:	Treasury Management Strategy and Capital Strategy 2026-27
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	n/a
From:	Strategic Director of Resources

RECOMMENDATIONS

1. That the Audit, Governance and Standards committee note the draft Treasury Management Strategy (TMS) for 2026-27, and its appendices:

    - Appendix A – Treasury Management Strategy 2026-27
    - Appendix B - Interest Rate forecasts
    - Appendix C - Prudential Indicators
    - Appendix D - Annual Investment Management Strategy (AIS)
    - Appendix E - Capital Strategy
    - Appendix F- Annual Minimum Revenue Provision
    - Appendix G - Glossary Statement.

BACKGROUND INFORMATION

2. Each year, council assembly agrees an annual treasury management strategy that details the management of council debt, capital plans, and investments. The strategy is to be agreed following consultation with the Audit, Governance, and Standards committee. The draft Treasury Management Strategy (TMS) for 2026-27 can be found at Appendix A.

KEY ISSUES FOR CONSIDERATION

Economic Update

3. The UK economy remains in a fragile and transitional phase, with persistent inflation, elevated borrowing costs, and global trade tensions shaping the fiscal landscape for local authorities**.** The economic environment is expected to remain challenging over the timeframe of this treasury management strategy and the medium term.

4. GDP Growth: UK GDP is projected to grow by 1.2% in 2025 and 1.1% in 2026, slowing from earlier rebounds due to global uncertainty and domestic tax burdens.

5. Inflation: Inflation is expected to hover around 4% until late 2025, then gradually decline to the Bank of England's 2% target by mid-2026.

6. Interest Rates: The base rate is forecast to fall to 3.75% by end of 2025, with slower cuts in 2026 and 2027.

7. Public Spending: Fiscal constraints remain tight, with councils expected to manage rising service demands amid limited central funding.

8. Interest rate, inflation and Public Works Loan Board (PWLB) forecasts are provided in Appendix B.

Treasury Management Strategy Statement 2026-27

9. Treasury management is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as "the management of the Council's borrowing, investments and cash flows, its banking, money market and capital market transactions, the control of associated risks, and the pursuit of optimum performance consistent with those risks".

10. Treasury risk management is conducted within the framework of CIPFA's Prudential Code and the Treasury Management Code of Practice 2021 (the Codes) and the Ministry of Housing Communities and Local Government (MHCLG) Investment Guidance. The Council has adopted and complies with both Codes. The Code requires the council to approve a treasury management strategy before the start of each financial year.

11. This report satisfies the council's legal duty under the Local Government Act 2003 to have regard to the CIPFA Code and confirms compliance with all current legislation and regulatory guidance.

12. In line with financial delegation, the Strategic Director of Resources holds responsibility for all executive and operational decisions related to treasury management. This strategy and its appendices provide the framework necessary to effectively fulfil those responsibilities.

Treasury Management Portfolio Summary

13. Table 1 below provides details of the Council's debt and investment portfolios with forecasts for the current and next three years.

Table 1: Treasury Management Portfolio as at 31/10/2025

	31.3.25 Actual £m	Balance at 31.10.25 £m	31.3.26 Estimate £m	31.3.27 Budget £m	31.3.28 Forecast £m	31.3.29 Forecast £m	31.3.30 Forecast £m
Existing Long-Term borrowing							
- PWLB	1,152	1,163	1298	1423	1490	1609	1624
- MEEF	5	5	5	5	5	5	5
- Abundance	1.5	2.5	2.5	2.5	2.5	2.5	2.5
- Temporary		10					

	31.3.25 Actual £m	Balance at 31.10.25 £m	31.3.26 Estimate £m	31.3.27 Budget £m	31.3.28 Forecast £m	31.3.29 Forecast £m	31.3.30 Forecast £m
Total borrowing	1,159	1,181	1306	1431	1498	1617	1632
Investment							
Long-term investments							
Short-term investments	-53	-101	-70	-30	-30	-30	-30
Total Investment	-53	-101	-70	-30	-30	-30	-30
Net Borrowing	1,106	1,080	1,236	1,401	1,468	1,587	1,602

14. Table 2 below provides details of the Council's Balance Sheet Summary for the General Fund (GF) and Housing Revenue Account (HRA) as at 31 October 2025 and forecasts the current and next three years' positions. The top half of the table shows the composition of the changes in net indebtedness, and the bottom half shows how that is projected to be reflected in the respective treasury portfolios.

Table 2: Balance Sheet Summary and Forecast

Balance sheet summary and forecast	**Actual 2024/25 £m**	**TMSS Estimate 2025/26 £m**	**Forecast 2025/26 Outturn at 31/10/2025 £m**	**TMSS Estimate 2026/27* £m**	**TMSS Estimate 2027/28* £m**	**TMSS Estimate 2028/29* £m**
Capital Finance Requirement	1,850	2,246	1,970	2,070	2,110	2,200
Other Balance Sheet Items	-742	-748	-742	-739	-736	-733
NET Loans Requirement	**1,108**	**1,498**	**1,228**	**1,331**	**1,374**	**1,467**
Reflected by						
Borrowing	1,159	1,274	1,153	1,236	1,327	1,378
External Investments	-53	-20	-70	-30	-30	-30
New Borrowing	0	187	145	125	77	119
NET Treasury Position * will require updating re capital forecast latest	**1,106**	**1,441**	**1,228**	**1,331**	**1,374**	**1,467**

Prudential Indicators and the Liability Benchmark

15. The Code prescribes a number of Prudential Indicators that assist the council to manage and monitor its capital expenditure plans. These can be found at Appendix C.

16. In the 2021 revision of the Prudential and Treasury Management Codes, CIPFA introduced the liability benchmark. The liability benchmark is effectively the net borrowing requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves, cash flow

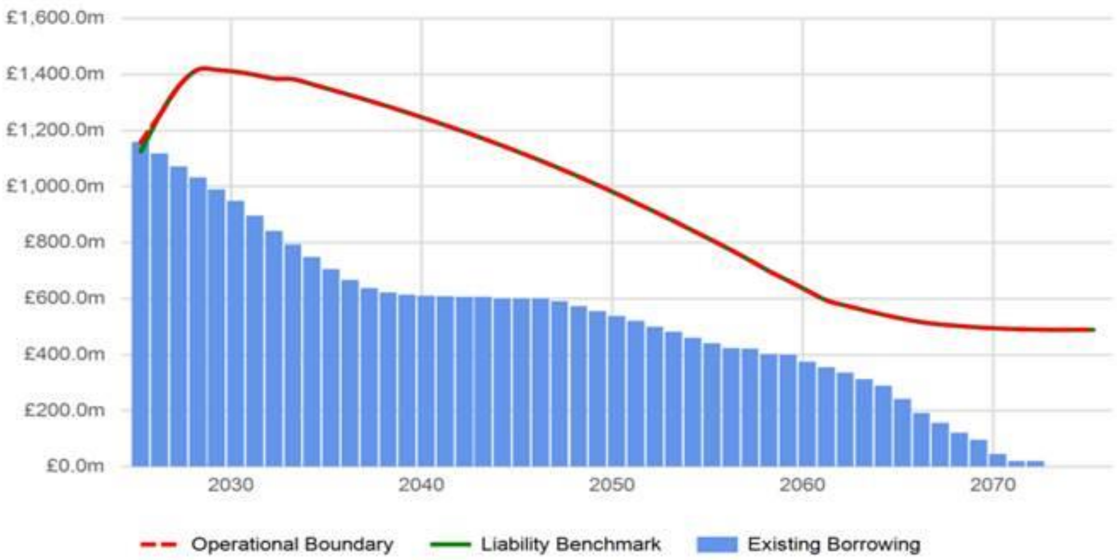
balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.

17. CIPFA recommend that the optimum position for external borrowing should be at the level of the Liability Benchmark (i.e., all balance sheet resources should be used to minimise external borrowing**)**. Table 3 below provides estimates of the Liability Benchmark presented visually in Graph 1.

Table 3: Liability Benchmark

Prudential Indicator: Liability Benchmark	**Actual 2024/25 £m**	**TMSS Estimate 2025/26 £m**	**Forecast Outurn at 31/10/2025 £m**	**TMSS Estimate 2026/27* £m**	**TMSS Estimate 2027/28* £m**	**TMSS Estimate 2028/29* £m**
Capital Financing Requirement (CFR)	1,850	2,246	1,970	2,070	2,110	2,200
Less: Other Balance Sheet Items	(742)	(748)	(742)	(739)	(736)	(733)
Net Loans Requirement	**1,108**	**1,498**	**1,228**	**1,331**	**1,374**	**1,467**
Plus Liquidity Allowance	53	20	70	30	30	30
Liability Benchmark	**1,161**	**1,518**	**1,298**	**1,361**	**1,404**	**1,497**
Current Loan Commitments	1,159	1,274	1,153	1,298	1,365	1,484
(Under)/Over benchmark: Borrowing Requirement	(2)	(244)	(145)	(63)	(39)	(13)
**** will require updating re capital forecast latest***						

Graph 1: Prudential Indicator Liability Benchmark – Combined



Borrowing Strategy

18. The council's borrowing strategy is designed to support the capital programme delivering much-needed new housing and the 2030 agenda. The council is a net borrower; it maintains low investment balances and utilises all available resources to minimise the need to take external debt. Details of the council's borrowing strategy can be found in Appendix A. The PWLB is the principal source of the council's borrowing.

19. The economic environment and debt costs have changed significantly since the inception of the capital programme. Forecasts indicate that borrowing costs will remain elevated during 2026-27 and over the medium term. The increase has been driven by inflationary pressures affecting the Gilt market, which underpins the PWLB rates.

20. The council's Housing Investment Programme reflects its commitment to expanding its housing stock. For 2026-27 the forecasted borrowing requirement is currently estimated at £145 million

21. External borrowing has a direct impact on revenue budgets. These costs are accounted for annually in the council's budget-setting process, covering both the Housing Revenue Account and the General Fund . Elevated borrowing rates put pressure on these budgets as less resources are available to take additional borrowing and this challenges the affordability of the capital programme.

22. In line with its climate action commitments, Council Assembly approved the use of Community Municipal Investments (CMIs) in November 2023 as a borrowing option to support projects within the council's climate action plan. A CMI is a simple, low cost and proven way for the council to raise funding from residents for projects that contribute to achieving its net-zero carbon target by 2030. Through partnership with Abundance Investment, a crowdfunding web platform is established that allows investment in a safe and secure manner. CMI's therefore create engagement opportunities for councils with their local communities, while diversifying funding sources.

23. To date £2.5m has been raised via this route. Plans for 2026-27 are under review, pending assessment of the previous schemes.

24. The type, period, rate and timing of new borrowing will be determined by the Strategic Director of Resources under delegated powers

Policy on Borrowing in Advance of Need

25. The Code requires the council to report upon its policy regarding borrowing in advance of need. The council will not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within the forward approved CFR estimates and will be considered carefully to ensure that value for money can be demonstrated and that the council can ensure the security of such funds.

Annual Investment Strategy

26. MHCLG investment guidance requires the council to produce an Annual Investment Strategy (AIS). This can be found at Appendix D. In line with the Code, the council's investment priorities are security, liquidity and yield.

Capital Strategy

27. The capital strategy is an overarching document which sets the policy framework for the development, management, and monitoring of capital investment. The strategy focuses on core principles that underpin the council's capital programme; its short, medium, and long-term objectives; the key issues and risks that will impact the delivery of the programme and the governance framework required to ensure the capital programme is delivered and providing value for money for residents of Southwark.

28. The capital strategy aligns with the priorities set out in the Council Delivery Plan and other key council strategies. The strategy is integrated with the medium-term financial strategy and treasury management strategy. Governance arrangements around new capital projects will be enhanced. All new capital bids will be considered by the Corporate Management Team (CMT) ahead of cabinet approval to ensure affordability, and by priority with reference to statutory requirements, the council's development plan and its long-term ambitions.

29. The capital strategy for 2026-27 can be found at Appendix E. Following a review by external consultants, officers are currently updating the capital strategy so that it is better aligned with CIPFA guidance in areas such as links to other key strategies, council priorities, asset management and approach to training and development of staff involved in managing the capital programme. The updated strategy will be presented to Council Assembly in February 2026.

Minimum Revenue Provision Policy (MRP)

30. Each year, the General Fund sets aside sums known as the minimum revenue provision (MRP) to reduce its borrowing liabilities. The HRA may also set aside sums to reduce its own borrowing liabilities. The policy for MRP is set out in Appendix F and complies with the guidance issued by the MHCLG in 2024.

Non-Treasury investments

31. The CIPFA Code requires that the council reports upon non treasury investments. Details of non-treasury investments are contained within Appendix A.

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

32. This report monitors the council's compliance with the treasury management strategy and Council's prudential indicators as agreed in February 2023. This report has been judged to have no direct impact on local people and

communities who are protected under the Equality Act.

Climate change implications

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

Resource implications

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

Consultation

35. There has been no consultation on this report.

SUPPLEMENTAL ADVICE FROM OTHER OFFICERS

Assistant Chief Executive (Governance and Assurance)

36. The council's constitution determines that agreeing the treasury management strategy is a function of the council assembly and that the review and scrutiny of strategies and policies is the responsibility of the audit governance and standards committee. The constitution also requires council assembly to approve the capital strategy and programme at least once every four years. The draft treasury management strategy and capital strategy attached will proceed to council assembly for agreement.

37. Financial standing orders require the Strategic Director of Resources to set out the treasury management strategy for consideration and decision by council assembly, and report on activity on a regular basis to cabinet and at mid and year-end to council assembly. Furthermore, all executive and operational decisions are delegated to the Strategic Director of Resources.

38. The Local Government Act 2003 and supporting regulations require local authorities to determine annual borrowing limits and have regard to the Prudential Code for Capital Finance, and the Treasury Management in the Public Services Code of Practice and Guidance, published by the Chartered Institute of Public Finance and Accountancy, when considering borrowing and investment strategies, determining or changing borrowing limits or prudential indicators.

39. Section 15(1) of the 2003 Act requires a local authority "to have regard:

(a) to such guidance as the Secretary of State may issue”.
(b) to such other guidance as the Secretary of State may by regulations specify for the purposes of this provision

40. This guidance includes the MHCLG Guidance on Local Authority Investments updated February 2018 and on the flexible use of capital receipts which was updated in August 2022. Section 21(1A) of the 2003 Act also requires the local authority to have regard to any guidance issued under these provisions which includes the statutory guidance on the Minimum Revenue Provision (MRP).

41. The committee must have due regard to the need to eliminate discrimination, advance equality of opportunity, and to foster good relations between people with protected characteristics and others in accordance with section 149 Equality Act 2010 when carrying out its functions.

BACKGROUND DOCUMENTS

Background Papers	Held at	Contact
None		

APPENDICES

No.	Title
Appendix A	Treasury Management Strategy Statement
Appendix B	Interest Rate, Inflation and PWLB Forecasts
Appendix C	Prudential Indicators
Appendix D	Annual Investment Management Strategy
Appendix E	Capital Strategy
Appendix F	Minimum Revenue Provision Policy Statement
Appendix G	Glossary

AUDIT TRAIL

Lead Officer	Clive Palfreyman - Strategic Director of Resources	
Report Author	Caroline Watson – Chief Investment Officer	
Version	Final	
Version Date	10 November 2025	
Key Decision	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments Sought**	**Comments Included**
Assistant Chief Executive – Governance & Assurance	Yes	Yes
Strategic Director of Resources	N/A	N/A
Cabinet Member	N/A	N/A
Date report sent to constitutional team		10 November 2025

APPENDIX A

Treasury Management Strategy Statement 2026-27

1. Treasury management is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as “the management of the Council’s borrowing, investments and cash flows, its banking, money market and capital market transactions, the control of associated risks, and the pursuit of optimum performance consistent with those risks”.

2. Treasury risk management is conducted within the framework of CIPFA’s Prudential Code and the Treasury Management Code of Practice 2021 (the Codes) and the Ministry of Housing Communities and Local Government (MHCLG) Investment Guidance. The Council has adopted and complies with both Codes. The Code requires the council to approve a treasury management strategy before the start of each financial year.

3. This report satisfies the council’s legal duty under the Local Government Act 2003 to have regard to the CIPFA Code and confirms compliance with all current legislation and regulatory guidance.

4. In line with financial delegation, the Strategic Director of Resources holds responsibility for all executive and operational decisions related to treasury management. This strategy and its appendices provide the framework necessary to effectively fulfil those responsibilities.

5. As of 30 October 2025, the council held £1,181 million in external borrowings, investment balances stood at £101 million, a net overall decrease from £1,106million at 31 March 2025 to 31 October net figure of £1,080m.

Treasury Management Portfolio Summary

6. Table 1 below provides details of the Council’s debt and investment portfolios along with forecasts for the current and next three years.

Table 1: Treasury Management Portfolio as at 31/10/2025

	31.3.25 Actual £m	Balance at 31.10.25 £m	31.3.26 Estimate £m	31.3.27 Budget £m	31.3.28 Forecast £m	31.3.29 Forecast £m	31.3.30 Forecast £m
Existing Long-Term borrowing							
- PWLB	1,152	1,163	1,298	1,423	1,490	1,609	1,624
- MEEF	5	5	5	5	5	5	5
- Abundance	1.5	2.5	2.5	2.5	2.5	2.5	2.5
- Temporary		10					
Total borrowing	1,159	1,181	1306	1431	1498	1617	1632
Investment							
Long-term investments							
Short-term investments	-53	-101	-70	-30	-30	-30	-30
Total Investment	-53	-101	-70	-30	-30	-30	-30
Net Borrowing	1,106	1,080	1,236	1,401	1,468	1,587	1,602

Balance Sheet Summary and Forecast

6. Table 2 below provides details of the council's Balance Sheet Summary for the General Fund (GF) and Housing Revenue Account (HRA) as at 31 October 2025 and forecasts the current and next three years positions. The top half of the table shows the composition of the changes in net indebtedness, and the bottom half shows how that is projected to be reflected in the respective treasury portfolios.

Table 2: Balance Sheet Summary and Forecast

Balance sheet summary and forecast	**Actual 2024/25 £m**	**TMSS Estimate 2025/26 £m**	**Forecast 2025/26 Outturn at 31/10/2025 £m**	**TMSS Estimate 2026/27* £m**	**TMSS Estimate 2027/28* £m**	**TMSS Estimate 2028/29* £m**
Capital Finance Requirement	1,850	2,246	1,970	2,070	2,110	2,200
Other Balance Sheet Items	-742	-748	-742	-739	-736	-733
NET Loans Requirement	**1,108**	**1,498**	**1,228**	**1,331**	**1,374**	**1,467**
Reflected by						
Borrowing	1,159	1,274	1,153	1,236	1,327	1,378
External Investments	-53	-20	-70	-30	-30	-30
New Borrowing	0	187	145	125	77	119
NET Treasury Position * will require updating for P8 capital forecast	**1,106**	**1,441**	**1,228**	**1,331**	**1,374**	**1,467**

Borrowing Strategy

7. The council uses the Treasury Live system to model debt scenarios and to inform its borrowing decisions.

8. The council is a net borrower, maintains low investment balances and utilises all available resources to minimise the need to take external debt. The Public Works Loan Board (PWLB) is the principal source of the council's borrowing.

9. External borrowing will be necessary to ensure the delivery of the capital programme. The economic environment and debt costs have changed significantly since the inception of the capital programme. Forecasts indicate that borrowing costs will remain elevated during 2026-27 and over the medium term. The increase reflects the impact of inflationary pressures affecting the Gilt market, which underpins the PWLB rates.

10. For 2026-27 the forecasted borrowing requirement is currently estimated to be £145m (period 44 monitor).

11. External borrowing has a direct impact on revenue budgets. These costs are accounted for annually in the council’s budget-setting process, covering both the Housing Revenue Account and the General Fund. Elevated borrowing rates put pressure on these budgets as less resources are available to take additional borrowing and this challenges the affordability of the capital programme.

12. In line with its climate action commitments, Council Assembly approved the use of Community Municipal Investments (CMIs) in November 2023 as a borrowing option to support projects within the council’s climate action plan. A CMI is a simple, low cost and proven way for the council to raise funding from residents for projects that contribute to achieving its net-zero carbon target by 2030. Through partnership with Abundance Investment, a crowdfunding web platform is established that allows investment in a safe and secure manner. CMI’s therefore create engagement opportunities for councils with their local communities, while diversifying funding sources.

13. To date £2.5m has been raised via this route plans for 2026-27 are under review pending assessment of the previous schemes.

14. The type, period, rate and timing of new borrowing will be determined by the Strategic Director of Resources under delegated powers, taking into account the following factors:

- Expected movements in interest rates as outlined above and in Appendix B

- Maturity profile of the debt portfolio shows new borrowing will be required to replace maturing long-term debt over the medium term – see graph 1 below

- The impact on the medium-term financial strategy (MTFS)

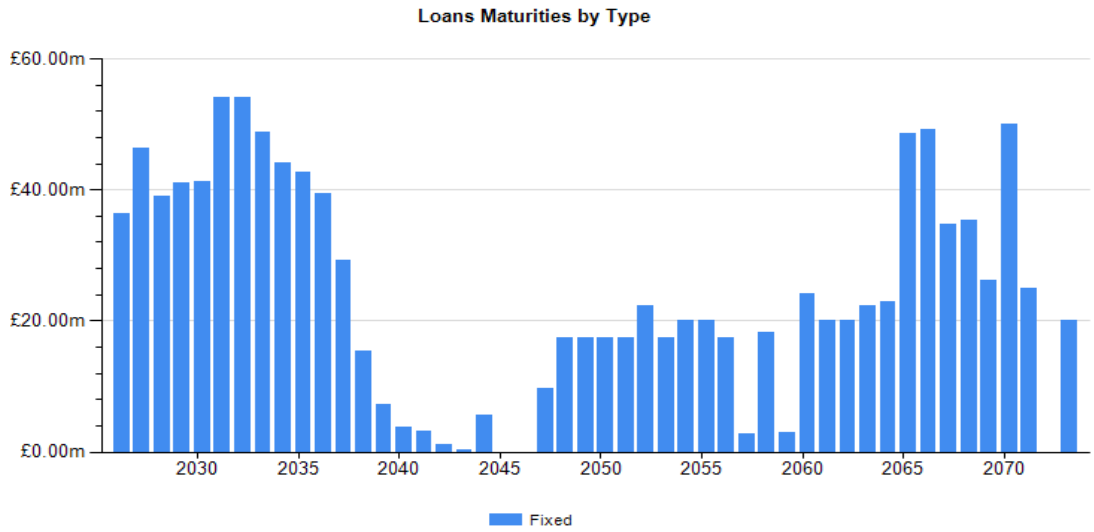
- Proposed Prudential Indicators and limits are set out in Appendix C

- Potential borrowing sources are set out in table 3 below:

Table 3: Approved Sources/Types of Borrowing

Approved sources/types of borrowing	**Fixed**	**Variable**
PWLB	✔	✔
Municipal Bond Agency	✔	✔
Local Authorities	✔	✔
Banks	✔	✔
Pension Funds	✔	✔
Insurance Companies	✔	✔
Mayor of London Energy Efficiency Fund (MEEF)	✔	✔
Mayor of London Green Finance Fund (GFF)	✔	✔
Market (long term)	✔	✔
Market (short term)	✔	✔
Market	✔	✔
Local temporary	✔	✔
Local Bonds	✔	
Overdraft	✔	✔
Municipal Investment (P2P Loan)	✔	✔
Finance Leases	✔	✔

Graph 1: Current debt maturity profile (at 31/10/25)



Policy on Borrowing in Advance of Need

15. The Code requires the council to report upon its policy regarding borrowing in advance of need. The council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within the forward approved CFR estimates and will be considered carefully to ensure that value for money can be demonstrated and that the council can ensure the security of such funds.

16. Risks associated with any advance borrowing activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Rescheduling

17. Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a large difference between premature redemption rates and new borrowing rates.

Capital Financing Requirement and the Liability Benchmark

18. The underlying need to borrow for capital purposes is measured by adding items on the balance sheet that relate to capital expenditure and is called the Capital Financing Requirement (CFR).

19. In the 2021 revision of the Prudential and Treasury Management Codes, CIPFA introduced the liability benchmark. The liability benchmark is effectively the net borrowing requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves, cash flow balances) from

the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.

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

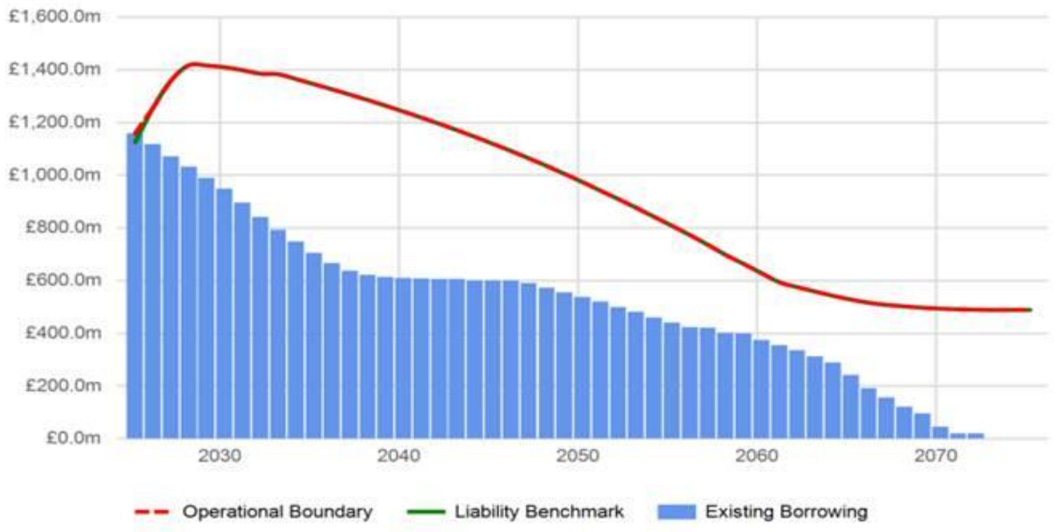
21. The liability benchmark is presented in table 4 and graph 2 below and shows estimates of the council's underlying need to borrow over the medium term.

Table 4: Liability Benchmark

Prudential Indicator: Liability Benchmark	**Actual 2024/25 £m**	**TMSS Estimate 2025/26 £m**	**Forecast Outturn at 31/10/2025 £m**	**TMSS Estimate 2026/27* £m**	**TMSS Estimate 2027/28* £m**	**TMSS Estimate 2028/29* £m**
CFR	1,850	2,246	1,970	2,070	2,110	2,200
Less: Other Balance Sheet Items	(742)	(748)	(742)	(739)	(736)	(733)
Net Loans Requirement	**1,108**	**1,498**	**1,228**	**1,331**	**1,374**	**1,467**
Plus Liquidity Allowance	53	20	70	30	30	30
Liability Benchmark	**1,161**	**1,518**	**1,298**	**1,361**	**1,404**	**1,497**
Current Loan Commitments	1,159	1,274	1,153	1,298	1,365	1,484
(Under)/Over benchmark: Borrowing Requirement	(2)	(244)	(145)	(63)	(39)	(13)

will require updating for P8 capital forecast

Graph 2: Prudential Indicator Liability Benchmark – Combined



Capital Strategy

22. The draft capital strategy for 2026-27 can be found at Appendix E. Following a review by external consultants, officers are currently updating the capital strategy so that is better aligned with CIPFA guidance in areas such as links to other key strategies, council priorities, asset management and approach to training and development of staff involved in managing the capital programme. The updated strategy will be presented to Council Assembly in February

Minimum Revenue Provision Policy (MRP)

23. Each year, the General Fund sets aside sums known as the minimum revenue provision (MRP) to reduce its borrowing liabilities. The HRA may also set aside sums to reduce its own borrowing liabilities. The policy for MRP is set out in Appendix F and complies with the guidance issued by the MHCLG in 2024.

Investment Strategy

24. The 2021 Code revision categorised three types of local authority investments:

- treasury management investments being surplus cash from its day-to-day activities, for example when income is received in advance of expenditure

- service investments to support local public services by lending to or buying shares in other organisations, (non-treasury investments below) and

- Commercial investments where the earning of investment income is the main purpose. These investments are managed and monitored by the property team.

25. The TMS focuses upon the first and second categories. Council resources that are not immediately required for current expenditure are invested in money market instruments in accordance with the MHCLG Guidance on Local Authority Investments guidance and the council's approved investment strategy (Appendix D). The guidance gives priority to security and liquidity and the aim is to achieve a yield commensurate with these principles.

26. The investment balance as of 31 October 2025 was £101m.This balance was held in AAA rated Money Market Funds (MMFs) £96m and £5m in a short-term fixed deposit with a county council.

27. To assess the performance of its treasury management portfolio, the council measures investment returns against the Sterling Overnight Indexed Average (SONIA), a widely used benchmark for short-term interest rates.

28. The rate of return generated by the council's treasury management portfolio reflects its prudent, low-risk investment approach. This aligns with the statutory guidance for local government treasury investments issued by the MHCLG.

Non-Treasury investments

29. The council has made loans to three local organisations (see Table 5 below). These loans are managed by a board that includes representatives from the council's treasury team and planning and growth department.

Table 5: Overview of current Non-Treasury Investment

Entity	Loan Amount £0	Start Date	Available commitment to drawn down at 31/10/2025 £0	Balance outstanding at 31/10/2025 £0	Repayment Terms
Mountview Academy of Theatre Arts	25,000	09/03/2018		23,399	Flexible repayments to 2058
The Old Vic	3,750	27/01/2020	2,000	1,750	Flexible repayments - 10 year duration
Central School of Ballet	3,000	01/04/2018		3,000	Flexible repayments - 10 year duration
TOTAL	31,750		2,000	28,149	

Environmental, Social and Governance (ESG) & United Nations (UN) Genocide Convention considerations

30. An investment screening procedure has been developed to support the above and will continue to retain security, liquidity and yield as primary constraints. The treasury team will continue to monitor and enhance social and environmental considerations in counterparty selection in line with the requirements of the Code.

31. The treasury team will regularly review investment managers to ensure sound ESG practices are in place. This includes assessing ESG disclosures, participation in recognised ESG initiatives and standards, external assurance of ESG reporting, and evidence of active development in responsible investment practices.

32. Council Assembly approved changes to the investment strategy on 12 November 2025 to facilitate investments that would not be linked to conflict or military occupation and to incorporate consideration of UN Genocide Convention factors

Treasury Management Policy Statement

33. Treasury management within the council is conducted in accordance with the CIPFA Treasury Management Code of Practice (TM Code).

34. The council complies fully with the requirements of the TM Code and has formally adopted its key recommendations, as outlined in Section 4 of the Code.

35. In line with the TM Code, the council defines treasury management activities as: *"The management of the council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

36. The council considers the successful identification, monitoring, and control of risk to be the primary measure of effective treasury management. Accordingly, the analysis and reporting of treasury activities will focus on their risk implications and any financial instruments used to manage those risks. Effective treasury management supports the achievement of the council's business and service objectives. The council is committed to the principles of best value and will employ appropriate performance measurement techniques within the context of sound risk management.

37. To ensure effective treasury management, the council will maintain:

- A Treasury Policy Statement (above)
- Treasury Management Practices (TMPs) and
- Investment Management Practices (IMPs)
- Prudential Indicators in accordance with the CIPFA Prudential Code (Appendix C).

38. These detail how the council will achieve its objectives and manage associated risks, copies of the first three documents listed above are available for members to inspect, prudential indicators are monitored within the Treasury Live system in real time and are available upon request.

39. The content of the policy statement and TMPs will follow the recommendations in Section 7 of the TM Code, with amendments only where necessary to reflect the council's specific circumstances. Such amendments will not materially deviate from the Code's key principles.

40. The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

    - An annual strategy and plan before the start of the financial year.
    - An annual report after the year-end.
    - An interim review report during the year.

41. The Audit Governance and Standards Committee is responsible for ensuring effective scrutiny of the council's treasury management strategy and policies. The execution and administration of treasury decisions is delegated to the Strategic Director of Resources, who will act in accordance with the council's policy and the TM Code.

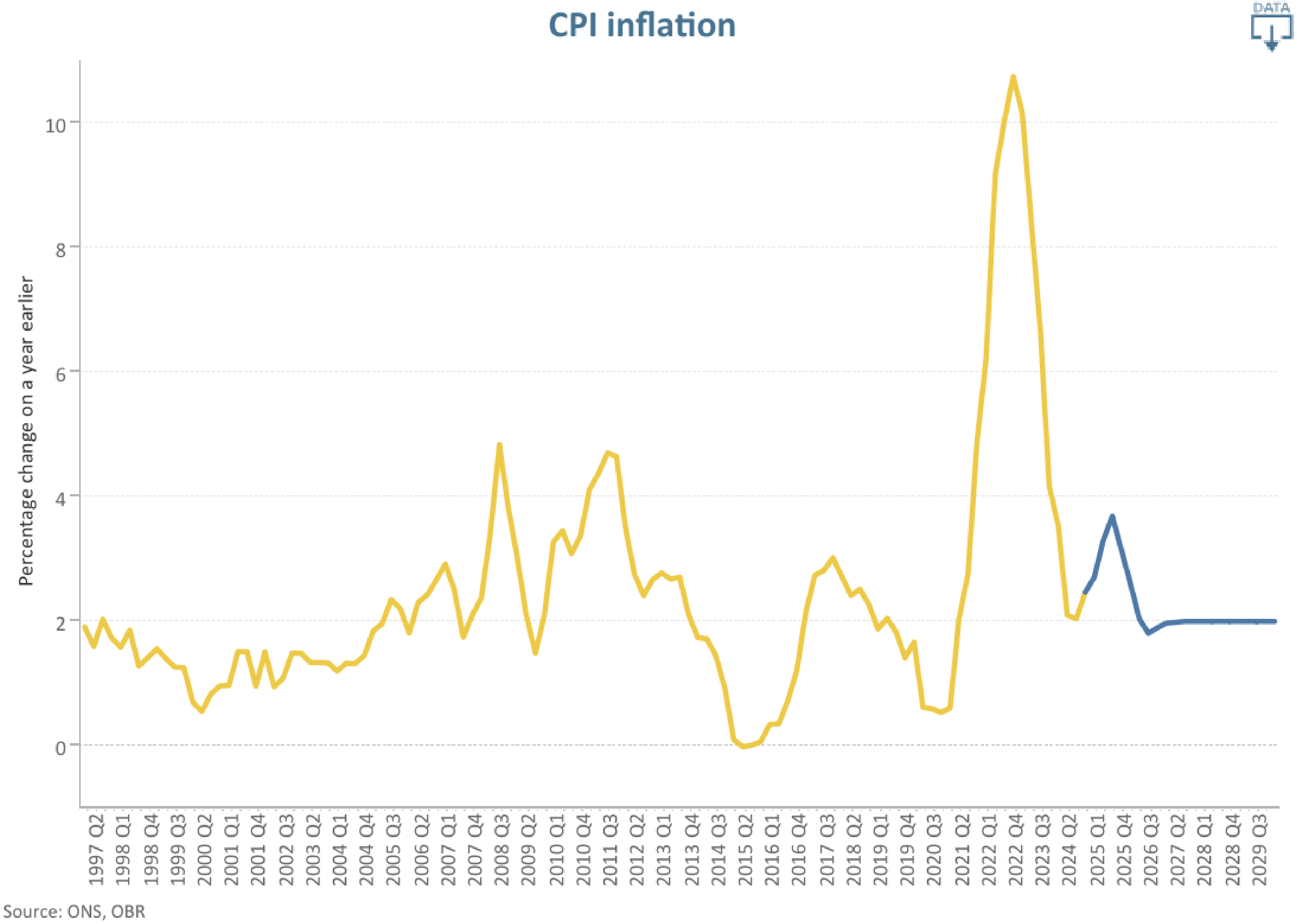
42. The council will not use Derivative instruments**.**

APPENDIX B

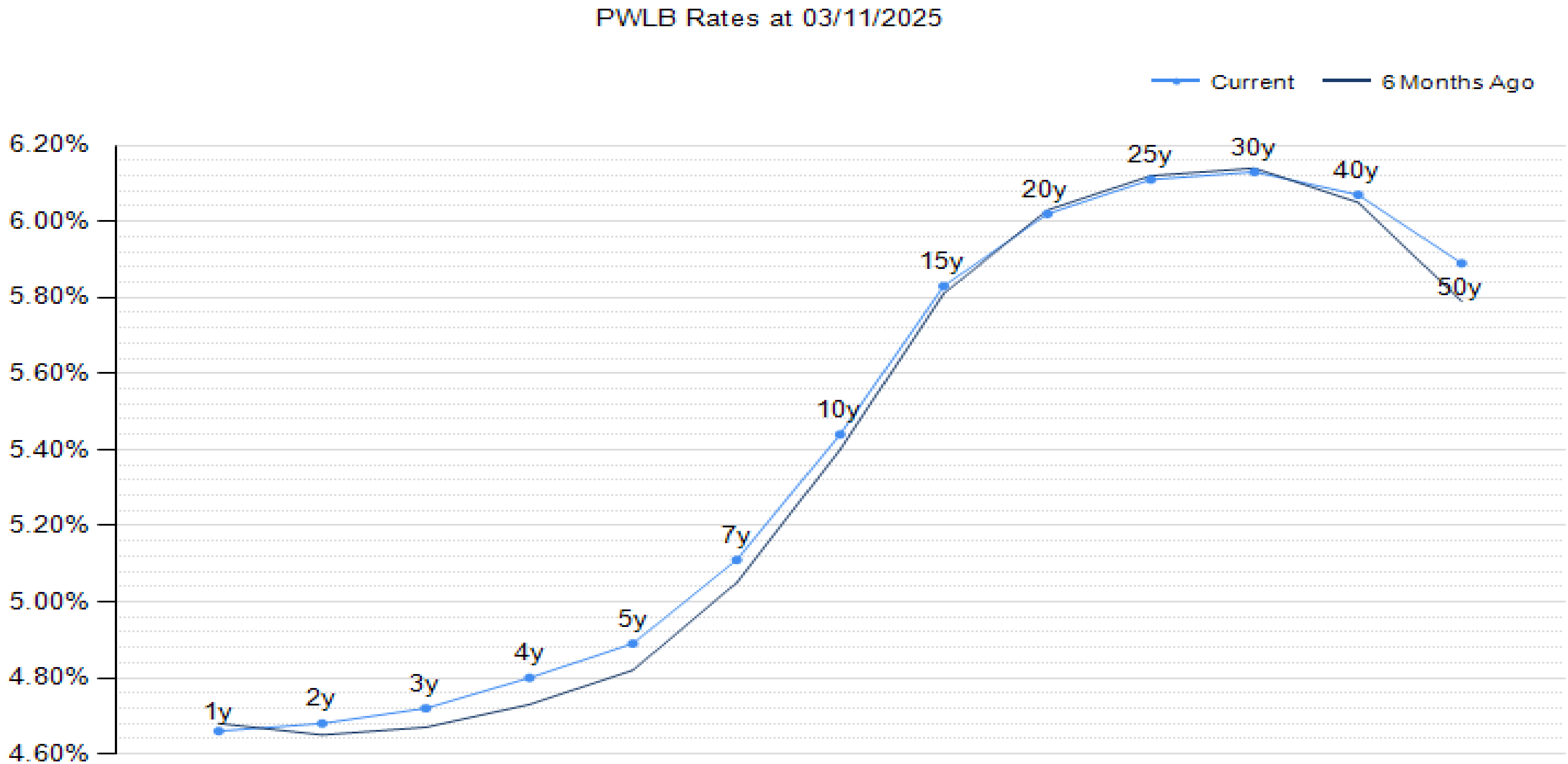
Interest Rate/CPI Forecasts & PWLB Rate Changes at 04/11/2025

		2025-11-03	Dec 25	Mar 26	Jun 26	Sep 26	Dec 26	Mar 27	Jun 27	Sep 27	Dec 27	Mar 28	Jun 28	Sep 28	Dec 28	Mar 29	Jun 29	Sep 29	Dec 29	Mar 30	Jun 30	Sep 30
Base Rate	Upper		4.00%	4.00%	4.00%	4.00%	4.00%	4.25%	4.25%	4.25%	4.50%	4.50%	4.50%	4.75%	4.75%	4.75%	5.00%	5.00%	5.00%	5.25%	5.25%	5.25%
	Expected	**4.00%**	**3.75%**	**3.50%**	**3.50%**	**3.50%**	**3.25%**	**3.50%**	**3.50%**	**3.50%**	**3.50%**	**3.50%**	**3.50%**	**3.50%**	**3.50%**	**3.50%**	**3.75%**	**3.75%**	**3.75%**	**3.75%**	**3.75%**	**3.75%**
	Lower		3.50%	3.25%	3.00%	2.75%	2.75%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
SONIA	Upper		4.09%	4.02%	3.99%	4.03%	4.10%	4.18%	4.26%	4.35%	4.44%	4.53%	4.61%	4.70%	4.78%	4.86%	4.94%	5.02%	5.10%	5.18%	5.26%	5.34%
	Expected	**3.89%**	**3.82%**	**3.59%**	**3.44%**	**3.39%**	**3.37%**	**3.38%**	**3.39%**	**3.42%**	**3.44%**	**3.47%**	**3.51%**	**3.54%**	**3.57%**	**3.61%**	**3.64%**	**3.68%**	**3.72%**	**3.76%**	**3.80%**	**3.84%**
	Lower		3.55%	3.16%	2.89%	2.74%	2.64%	2.57%	2.52%	2.48%	2.45%	2.42%	2.40%	2.38%	2.37%	2.36%	2.35%	2.34%	2.34%	2.34%	2.34%	2.34%
1y PWLB	Upper		4.72%	4.83%	4.99%	5.19%	5.33%	5.44%	5.55%	5.65%	5.76%	5.88%	6.01%	6.14%	6.26%	6.35%	6.45%	6.56%	6.77%	7.05%	7.29%	7.53%
	Expected	**4.46%**	**4.42%**	**4.34%**	**4.37%**	**4.47%**	**4.52%**	**4.54%**	**4.57%**	**4.60%**	**4.65%**	**4.71%**	**4.78%**	**4.85%**	**4.91%**	**4.95%**	**5.00%**	**5.06%**	**5.22%**	**5.45%**	**5.66%**	**5.85%**
	Lower		4.11%	3.86%	3.76%	3.74%	3.70%	3.64%	3.60%	3.56%	3.54%	3.53%	3.54%	3.56%	3.56%	3.55%	3.55%	3.56%	3.68%	3.86%	4.02%	4.17%
2y PWLB	Upper		4.79%	4.96%	5.13%	5.31%	5.46%	5.59%	5.72%	5.85%	5.98%	6.10%	6.22%	6.35%	6.52%	6.71%	6.89%	7.06%	7.23%	7.40%	7.55%	7.70%
	Expected	**4.48%**	**4.47%**	**4.44%**	**4.47%**	**4.53%**	**4.58%**	**4.62%**	**4.67%**	**4.72%**	**4.78%**	**4.83%**	**4.89%**	**4.95%**	**5.06%**	**5.20%**	**5.32%**	**5.44%**	**5.56%**	**5.68%**	**5.79%**	**5.89%**
	Lower		4.14%	3.92%	3.81%	3.75%	3.70%	3.65%	3.62%	3.60%	3.58%	3.56%	3.56%	3.56%	3.61%	3.69%	3.76%	3.83%	3.90%	3.96%	4.02%	4.08%
5y PWLB	Upper		5.10%	6.88%	5.61%	5.83%	6.03%	6.20%	6.36%	6.52%	6.67%	6.82%	6.96%	7.10%	7.23%	7.35%	7.46%	7.58%	7.69%	7.79%	7.90%	8.00%
	Expected	**4.69%**	**4.73%**	**6.28%**	**4.85%**	**4.94%**	**5.01%**	**5.08%**	**5.15%**	**5.23%**	**5.29%**	**5.36%**	**5.43%**	**5.50%**	**5.56%**	**5.61%**	**5.67%**	**5.72%**	**5.77%**	**5.82%**	**5.87%**	**5.92%**
	Lower		4.35%	5.68%	4.09%	4.04%	4.00%	3.97%	3.95%	3.93%	3.91%	3.90%	3.90%	3.89%	3.89%	3.88%	3.87%	3.86%	3.86%	3.85%	3.84%	3.84%
10y PWLB	Upper		5.63%	5.89%	6.11%	6.30%	6.47%	6.63%	6.78%	6.92%	7.06%	7.19%	7.31%	7.44%	7.56%	7.67%	7.78%	7.89%	7.99%	8.10%	8.20%	8.30%
	Expected	**5.24%**	**5.27%**	**5.32%**	**5.37%**	**5.44%**	**5.50%**	**5.55%**	**5.61%**	**5.67%**	**5.72%**	**5.78%**	**5.83%**	**5.89%**	**5.94%**	**5.99%**	**6.04%**	**6.10%**	**6.14%**	**6.19%**	**6.24%**	**6.29%**
	Lower		4.91%	4.74%	4.64%	4.58%	4.52%	4.48%	4.44%	4.42%	4.39%	4.37%	4.36%	4.34%	4.33%	4.32%	4.31%	4.30%	4.30%	4.29%	4.28%	4.28%
20y PWLB	Upper		6.18%	6.42%	6.60%	6.76%	6.91%	7.03%	7.16%	7.27%	7.38%	7.49%	7.59%	7.69%	7.79%	7.88%	7.97%	8.05%	8.14%	8.22%	8.30%	8.38%
	Expected	**5.82%**	**5.84%**	**5.87%**	**5.90%**	**5.94%**	**5.98%**	**6.01%**	**6.04%**	**6.08%**	**6.11%**	**6.15%**	**6.18%**	**6.22%**	**6.25%**	**6.28%**	**6.31%**	**6.34%**	**6.37%**	**6.40%**	**6.43%**	**6.46%**
	Lower		5.49%	5.31%	5.20%	5.12%	5.05%	4.98%	4.93%	4.89%	4.84%	4.81%	4.77%	4.74%	4.71%	4.69%	4.66%	4.63%	4.61%	4.59%	4.57%	4.54%
30y PWLB	Upper		6.29%	6.51%	6.69%	6.84%	6.97%	7.09%	7.20%	7.30%	7.40%	7.50%	7.59%	7.68%	7.76%	7.84%	7.92%	7.99%	8.07%	8.14%	8.21%	8.27%
	Expected	**5.93%**	**5.94%**	**5.96%**	**5.98%**	**6.01%**	**6.04%**	**6.06%**	**6.08%**	**6.11%**	**6.13%**	**6.15%**	**6.17%**	**6.20%**	**6.22%**	**6.24%**	**6.26%**	**6.28%**	**6.30%**	**6.31%**	**6.33%**	**6.35%**
	Lower		5.60%	5.41%	5.28%	5.18%	5.10%	5.03%	4.96%	4.91%	4.85%	4.80%	4.76%	4.71%	4.67%	4.63%	4.60%	4.56%	4.52%	4.49%	4.46%	4.42%
40y PWLB	Upper		6.23%	6.45%	6.62%	6.77%	6.90%	7.01%	7.11%	7.21%	7.31%	7.39%	7.48%	7.56%	7.64%	7.71%	7.78%	7.85%	7.92%	7.98%	8.04%	8.10%
	Expected	**5.87%**	**5.88%**	**5.89%**	**5.91%**	**5.93%**	**5.94%**	**5.96%**	**5.98%**	**5.99%**	**6.01%**	**6.02%**	**6.04%**	**6.05%**	**6.07%**	**6.08%**	**6.09%**	**6.10%**	**6.11%**	**6.12%**	**6.13%**	**6.14%**
	Lower		5.53%	5.33%	5.19%	5.09%	4.99%	4.91%	4.84%	4.77%	4.71%	4.65%	4.60%	4.55%	4.50%	4.45%	4.40%	4.35%	4.31%	4.27%	4.22%	4.18%
50y PWLB	Upper		6.06%	6.28%	6.46%	6.60%	6.73%	6.84%	6.95%	7.05%	7.14%	7.23%	7.31%	7.39%	7.47%	7.54%	7.61%	7.68%	7.74%	7.81%	7.87%	7.92%
	Expected	**5.69%**	**5.70%**	**5.71%**	**5.72%**	**5.74%**	**5.75%**	**5.77%**	**5.78%**	**5.80%**	**5.81%**	**5.82%**	**5.83%**	**5.85%**	**5.86%**	**5.87%**	**5.88%**	**5.89%**	**5.89%**	**5.90%**	**5.91%**	**5.92%**
	Lower		5.34%	5.13%	4.99%	4.88%	4.78%	4.69%	4.62%	4.54%	4.48%	4.41%	4.36%	4.30%	4.25%	4.19%	4.14%	4.09%	4.05%	4.00%	3.95%	3.91%

Office of National Statistics (ONS) Consumer Price Inflation (CPI) forecasts



PWLB Interest Rate Changes – Current 3/11/25 compared to 6 months ago



APPENDIX C

Prudential Indicators Estimated at 31 October 2025

Capital Expenditure

1. Table 1 below summarises the capital expenditure plans based upon the period 4 capital monitor. The figures will be updated for the final 2026-27 strategy.

Table 1: Capital Expenditure – Current Approved Programme

Estimate of Capital Expenditure						
Actual 2024/25	TMSS Estimate 2025/26	Forecast Outturn at 31/10/2025	Description	TMSS Estimate 2026/27*	TMSS Estimate 2027/28*	TMSS Estimate 2028/29*
£m	£m	£m		£m	£m	£m
307	**226**	**352**	Capital Expenditure	**262**	**182**	**250**
51	5	42	Capital Receipts	16	3	30
40	19	73	Grants	26	21	8
93	60	67	Revenue & Reserves	81	79	83
15	12	25	External Contributions	14	13	10
108	130	145	Funded by Borrowing	125	67	119
307	**226**	**352**		**262**	**183**	**250**
			**** will require updating re capital forecast latest***			

2. The underlying need to borrow for capital purposes is measured by adding items on the balance sheet that relate to capital expenditure and is called the Capital Financing Requirement (CFR). The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual charge which broadly reduces the indebtedness in line with each asset life. The CFR includes any other long-term liabilities, e.g. Private Finance Initiative (PFI) schemes and finance leases. Whilst these increase the CFR and therefore the council's borrowing requirement, these types of schemes include a borrowing facility by the provider and so the council is not required to separately borrow for these schemes.

Table 2: Capital Financing Requirement – Approved Capital Programme

Actual 2024/25 £m	TMSS Estimate 2025/26 £m	Forecast Outturn at 31/10/2025 2025/26 £m	Description	TMSS Estimate 2026/27* £m	TMSS Estimate 2027/28* £m	TMSS Estimate 2028/29* £m
1,743	1,947	1,848	Opening Capital Finance Requirement	1,970	2,070	2,110
108	138	145	Prudential Borrowing	125	67	119
39	171	17	Other Long Term Liabilities	17	17	17
(40)	(20)	(40)	MRP	(42)	(44)	(46)
	10		Capital Receipts Applied			
1,850	**2,246**	**1,970**	Closing CFR	**2,070**	**2,110**	**2,200**
			***will require updating re capital forecast latest**			

Balance Sheet Summary and Forecast

3. Table 3 below provides details for the Council's Balance Sheet Summary for the General Fund and HRA as at 31 October 2025. The top half of the table shows the composition of the changes in net indebtedness, and bottom half shows how that is projected to be reflected in the respective treasury portfolios. This will be updated for the latest capital forecast (period 8) for the final TMSS.

Table 3: Balance Sheet Summary and Forecast

Balance sheet summary and forecast	Actual 2024/25 £m	TMSS Estimate 2025/26 £m	Forecast 2025/26 Outturn at 31/10/2025 £m	TMSS Estimate 2026/27* £m	TMSS Estimate 2027/28* £m	TMSS Estimate 2028/29* £m
Capital Finance Requirement	1,850	2,246	1,970	2,070	2,110	2,200
Other Balance Sheet Items	-742	-748	-742	-739	-736	-733
NET Loans Requirement	**1,108**	**1,498**	**1,228**	**1,331**	**1,374**	**1,467**
Reflected by						
Borrowing	1,159	1,274	1,153	1,236	1,327	1,378
External Investments	-53	-20	-70	-30	-30	-30
New Borrowing	0	187	145	125	77	119
NET Treasury Position * will require updating for P8 capital forecast	**1,106**	**1,441**	**1,228**	**1,331**	**1,374**	**1,467**

Operational Boundary

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

Table 4: Operational Boundary

Actual 2024/25 £m	TMSS Estimate 2025/26 £m	Forecast Outturn at 31/10/2025 £m	Description	TMSS Estimate 2026/27* £m	TMSS Estimate 2027/28* £m	TMSS Estimate 2028/29* £m
1,159	1,684	1,304	Borrowing	1,756	1,823	1,943
89	171	17	Other Long-Term Liabilities	17	17	17
1,248	**1,855**	**1,321**	**TOTAL Debt**	**1,773**	**1,840**	**1,960**

Authorised Limit for External Debt:

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

Table 5: Authorised Limit for External Debt

Actual 2024/25 £m	TMSS Estimate 2025/26 £m	Forecast Outturn 31/10/2025 £m	Description	TMSS Estimate 2026/27* £m	TMSS Estimate 2027/28* £m	TMSS Estimate 2028/29* £m
1,159	1,780	1,304	Borrowing	1,855	1,833	1,953
89	210	17	Other Long Term Liabilities	17	17	17
1,248	**1,990**	**1,321**	**TOTAL Debt**	**1,872**	**1,850**	**1,970**

Affordability

6. Other balance sheet resources are the underlying sums available for investment, such as reserves and working capital. CIPFA's Prudential Code for Capital Finance in Local Councils recommends that the council's total debt

should be lower than its highest forecast CFR over the next three years. Table 6 below shows that the Council expects to comply with this recommendation.

Table 6: Liability Benchmark

Prudential Indicator: Liability Benchmark	Actual 2024/25 £m	TMSS Estimate 2025/26 £m	Forecast Outturn at 31/10/2025 £m	TMSS Estimate 2026/27* £m	TMSS Estimate 2027/28* £m	TMSS Estimate 2028/29* £m
CFR	1,850	2,246	1,970	2,070	2,110	2,200
Less: Other Balance Sheet Items	(742)	(748)	(742)	(739)	(736)	(733)
Net Loans Requirement	**1,108**	**1,498**	**1,228**	**1,331**	**1,374**	**1,467**
Plus Liquidity Allowance	53	20	70	30	30	30
Liability Benchmark	**1,161**	**1,518**	**1,298**	**1,361**	**1,404**	**1,497**
Current Loan Commitments	1,159	1,274	1,153	1,298	1,365	1,484
(Under)/Over benchmark: Borrowing Requirement	(2)	(244)	(145)	(63)	(39)	(13)

will require updating for P8 capital forecast

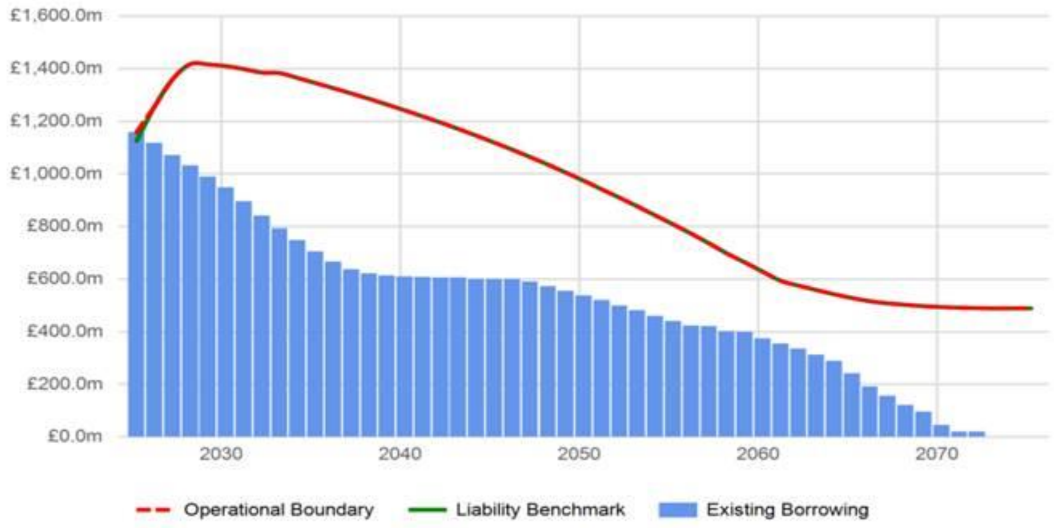
7. CIPFA's revised 2021 Codes of Practice introduced the concept of the Liability Benchmark and requires calculation of such as a Prudential Indicator (Graph 1). This contains the same data as Table 6 above, such that cash and investment balances are kept to a minimum level of £30m at each year-end to maintain sufficient liquidity and minimise credit risk.

8. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future and helps shape its strategic focus and decision making. The Liability Benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

9. CIPFA recommends that the optimum position for external borrowing should be at the level of the Liability Benchmark (i.e., all balance sheet resources should be used to minimise external borrowing). If the outputs show future periods where external loans are less than the Liability Benchmark, then this indicates a borrowing requirement thus identifying where the Council is exposed to interest rate, liquidity and refinancing risks. Conversely where

external loans exceed the Liability Benchmark then this will highlight an overborrowed position which will result in excess cash in the Council requiring investment thus exposing the authority to credit and reinvestment risks and a potential cost of carry.

Graph 1: Prudential Indicator: Liability Benchmark – Combined



Ratio of Financing Costs to Net Revenue Stream

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

Table 7: Ratio of Financing Costs to Net Revenue Stream

Ratio of Financing Costs to Net Revenue Stream						
Actual 2024/25	TMSS Estimate 2025/26	Forecast Outturn 31/10/2025	Description	TMSS Estimate 2026/27	TMMS Estimate 2027/28	TMSS Estimate 2028/29
%	%	%		%	%	%
18	8	13	General Fund	13	14	13
31	15	26	HRA	27	26	26

Table 8: Maturity Structure of Borrowing

Debt Maturity Profile Limits										
Actual 2024/25	TMSS Limit 2025/26		Actual at 31/10/2025		2026/27 TMSS		2027/28 TMSS		2028/29 TMSS	
	Lower Limit	Upper Limit		Description	Lower Limit	Upper Limit	Lower Limit	Upper Limit	Lower Limit	Upper Limit
%	%	%	%		%	%	%	%	%	%
4	0	35	5	Under 12 months	0	35	0	35	0	35
4	0	35	4	12 months and within 24 months	0	35	0	35	0	35
10	0	50	10	24 months and within 5 years	0	50	0	50	0	50
21	0	75	21	5 years and within 10 years	0	75	0	75	0	75
61	25	100	8	10 years and within 20 years	25	100	25	100	25	100
			15	20 years and within 30 years	25	100	25	100	25	100
			19	30 years and within 40 years	25	100	25	100	25	100
			18	40 years and within 50 years	25	100	25	100	25	100

Table 9: Maximum Principal Sum Invested >365 days

Limits on Investments Greater than One Year						
Actual 2024/25	TMSS Limit 2025/26	Actual 31/10/2025	Description	TMSS 2026/27	TMSS 2027/28	TMSS 2028/29
£m	£m	£m		£m	£m	£m
0	65	0	%	65	65	65
0	2.5	0	Years	2.5	2.5	2.5

APPENDIX D: ANNUAL INVESTMENT MANAGEMENT STRATEGY 2026-27

Background

1. The guidance on local government investments produced by the Ministry of Housing, Communities and Local Government (MHCLG) as updated in February 2018, requires that local authorities produce an annual investment strategy. The guidance promotes prudent management of investments with prioritising security, liquidity, and yield in that order.

2. Investments held as part of the council's pension fund are managed under a separate regulatory framework and are outside the scope of this strategy.

3. Investments held for service purposes or for commercial profit are considered within the capital strategy.

Investment Objectives

4. The council's treasury investment objectives are to preserve principal, provide liquidity and secure a reasonable return.

5. The council holds cash in the normal course of its business and any cash not immediately required for settling council liabilities should be invested until needed. Investments should be managed prudently and fall within two categories: specified investments and non-specified investments, as set out in government guidance. Specified investments are investments up to one year, as detailed below, with high liquidity and credit quality. Non-specified investments, as set out in paragraph 10 below, are investments that exceed one year and are potentially more responsive to liquidity, credit and market factors.

6. Prudent exposure to non-specified investments can help raise the overall level and diversification of investment returns over the long-term and so should be considered as part of an investment strategy, having regard to prevailing credit and market conditions. Investment exposure shall be diversified and managed with due care and attention.

7. All investments will be denominated in GBP sterling, comply with credit standards and investment limits. Exposure to share capital that is treated as capital expenditure is outside the scope of this strategy.

8. The Strategic Director of Resources is responsible for this strategy and its management. Fund managers may be appointed to assist in advising or executing elements of the strategy.

Specified Investments

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

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

Non- Specified Investments

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

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

INVESTMENT LIMITS

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

Investment limits, subject to overall constraints and minimum ratings				
	Counterparty	Time Limit	Counterparty Limit (£)	Sector Limit (£)
A	UK Government	50 years	Unlimited	Unlimited
B	UK Local Authorities	5 years	£10m	£50m
C	Foreign sovereigns, supranational banks and quasi-sovereigns, minimum rating AAA/Aaa/AAA	5 years	£20m	Unlimited
D	Foreign sovereigns, supranational banks and quasi-sovereigns, minimum rating AA-/Aa3/AA-	5 years	£10m	Unlimited
E	Foreign sovereigns, supranational banks and quasi-sovereigns, minimum rating A1-/A3/A-	5 years	£5m	Unlimited
F	Banks and building societies minimum rating AAA/Aaa/AAA	5 years	£20m	£30m
G	Banks and building societies minimum rating AA-/Aa3/AA-	3 years	£15m	£30m
H	Banks and building societies minimum rating A-/A3/A-	1 year	£10m	£30m
I	Top 20 Building Societies by asset size	6 months	£3m	£30m
J	Other Corporate Entities long term rating AA-/Aa3/AA-	3 years	£15m	£30m
K	Other Corporate Entities long term rating A-/A3/A-	1 year	£10m	£30m
L	Money Market Funds above £bn holdings	N/A	£30m	Unlimited
M	Short Duration low volatility enhanced cash funds	N/A	£10m	Unlimited
N	Sterling Government Money Market Funds above £200m in holdings	N/A	£5m	Unlimited
O	VNAV AAA rated Money Market Funds	N/A	£10m	Unlimited
P	Multi asset income pooled fund	N/A	£5m	£10m
Q	Royal Bank of Scotland	3 months	£75m	£75m
Overall portfolio: Maximum 1 year maturity 65% Maximum weighted average maturity 2.5years (The maturity of floating rate instruments is treated as the next interest re-set date)				

RATING DEFINITIONS

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

13. Fitch Long Term Ratings are shown below

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

14. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

15. The Fitch Short Term Ratings are shown below

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

16. Moody's Long-Term Ratings are shown below

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

17. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa.

18. Moody’s short-term ratings are opinions of the ability of issuers to honour short-term financial obligations and are shown below.

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

19. Standard and Poor’s (S&P) Long Term Rating

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

20. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

21. Standard and Poor’s (S&P) Short Term Ratings are shown below

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

APPENDIX E

CAPITAL STRATEGY 2025-26 – 2035-36

Introduction and background

1. This capital strategy is an overarching document which sets the policy framework for the development, management and monitoring of capital investment. The strategy focuses on core principles that underpin the council's capital programme; its short, medium and long-term objectives; the key issues and risks that will impact the delivery of the programme and the governance framework required to ensure the capital programme is delivered providing value for money for residents of Southwark.

2. The capital strategy aligns with the priorities set out in the Council Delivery Plan and other key council strategies. The strategy is integrated with the medium-term financial strategy (MTFS) and treasury management strategy.

Core principles that underpin the capital programme

3. The key principles for the capital programme are summarised below:

   - Capital investment decisions reflect the aspirations and priorities included within the Council Delivery Plan and supporting strategies.
   - Schemes to be added to the capital programme will require a capital business case to be signed off by the lead cabinet member and will be subject to a gateway process, prioritised according to availability of resources and scheme specific funding, council priorities and commitments and factors such as legal obligations, health and safety considerations and the longer-term impact on the council's financial position.
   - The cost of financing capital schemes, net of revenue benefits, are profiled over the lifetime of each scheme and incorporated into the annual policy and resources strategy and budget.
   - Commissioning and procuring for capital schemes will comply with the requirements set out in the council's constitution, financial regulations and contract standing orders.

4. Risk review is an important aspect of the consideration of any proposed capital or investment proposal. The risks will be considered in line with the council's risk management strategy and commensurate with the council's low risk appetite. Subject to careful due diligence, the council may consider a moderately higher level of risk for strategic initiatives, where there is a direct gain to the council's revenues or the ability to deliver its statutory duties more effectively and efficiently.

Governance framework

5. The council's constitution requires council assembly to agree the capital strategy and programme at least once every four years (last one was in

February 2024) and in the event of a significant change in circumstances. The reports from the Chief Finance Officer will consider the compliance of proposed schemes in the programme with the medium-term financial strategy, the capital resources available to the council, the revenue implications of the proposed capital expenditure, and any other relevant information.

6. Democratic decision-making and scrutiny processes provide overall political direction and ensure accountability for investment in the capital programme. These processes include:

   - Council assembly approves the Council Delivery Plan which sets out the strategic priorities for the council.
   - Council assembly is ultimately responsible for approving the capital strategy, treasury management strategy and capital programme.
   - Cabinet receives regular capital monitoring reports, approves variations to the programme and considers new bids for inclusion in the capital programme.
   - Portfolio holders are assigned projects in line with their responsibilities.
   - Scrutiny committees can call in cabinet reports, receive and scrutinise reports.
   - All projects progressing to the capital programme follow the constitution, and financial regulations.
   - The capital programme and capital expenditure is subject to internal and external audit.

7. Cabinet agreed in October 2023 to develop a refreshed set of governance proposals to ensure that all future capital bids remain affordable and in alignment with key council objectives.

8. The approach taken each year will be to assess the overall funding envelope, the affordability criteria, which will be determined by the estimated capital funding available and within a predetermined and prudent limit on borrowing.

9. New capital bids from council departments will require a business case with ‘sign off’ from the respective member of the Corporate Management Team (CMT). A newly established capital board will prioritise the bids and ensure that they can be funded within the pre-defined funding envelope. It is expected that the panel will meet at least twice a year.

10. The final list of bids will be considered by the Corporate Management Team (CMT) ahead of cabinet approval.

11. Approval to spend on individual capital schemes will only be given once procedural guidelines have been complied with and assessed to the satisfaction of the Strategic Director of Resources.

12. Senior officer teams exist within directorates to monitor the delivery of the directorate capital programme. Directorate management teams must consider

and recommend all additions, variations to their directorate capital programme before being agreed by the Strategic Director of Resources and then by cabinet.

Capital investment priorities and plans

13. The capital programme for the council is a long-term ambition, with the lifetime of new and existing assets stretching far into the future. The obligation for maintaining and improving council dwellings and operational buildings is very long-term and as such will be considered accordingly in financial and asset management planning.

14. Capital investment plans are driven by the council delivery plan the council's key strategic document that sets out the council's vision, ambitions, values and priorities. Cabinet approved the 2022-2026 '*Fairer Greener Safer Southwark – Council Delivery Plan*' in September 2022, and that it would be referred to as the council delivery plan.

15. The plan is centred on seven separate themes:

- transforming the borough,
- a thriving and inclusive economy,
- a healthy environment,
- quality, affordable homes,
- keeping residents safe,
- investing in communities,
- supporting families.

16. The application and planning for capital expenditure obligations and objectives should be considered over short, medium and long-term time horizons. Long term forecasts are not easily predicted, and the accuracy of all financial estimates will be limited. However, long term forecasting is critical to informing strategic plans taking account of the sustainability and affordability of existing and planned investment, which will need to be repaid over future periods.

17. For all projects and investments, the funding and financial implications need to be planned well in advance. The council maintains an approved capital programme that covers a ten-year period. Prudential Indicators for capital expenditure and financing are set out in Appendix C.

Treasury management

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

revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

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

Asset management planning

20. Cabinet approved the current asset management plan in January 2021. The plan sets out the council's ambitions for existing stock and future investment decision-making. It was developed from the priorities set out in the council delivery plan and how the decisions that the council take around property can help to achieve these, prioritising climate change and recognising the hugely important role in providing and building stable communities.

21. The council's future asset management decision-making will follow a clear and robust process, ensuring that plans are affordable and decisions are aligned to corporate ambitions and are in the best interests of the Borough as a whole.

Commercial activity and investment property

22. Returns from property ownership can both be income driven (through the receipt of rent) and by way of appreciation of the underlying asset value (capital growth). The combination of these is considered in assessing the attractiveness of a property for acquisition. However, yield is rarely the sole or primary objective of property acquisitions.

23. Historically, property has provided strong investment returns in terms of capital growth and generation of stable income. However, property investment is not without risk as property values can fall as well as rise and changing economic conditions could cause tenants to leave with properties remaining vacant. The investment appraisal, external professional advice, local strategic knowledge (ensuring all investments are in Southwark) and risk assessment ensure that commercial investments remain proportionate to the size of the council and that the revenue impact can be managed, should expected yields not arise.

24. The strategy makes it clear that the council will continue to invest prudently to take advantage of opportunities as they present themselves, supported by our robust governance process.

25. The council is mindful that Public Works Loan Board (PWLB) loans are not available to local authorities planning to buy investment assets primarily for yield.

Loans and other liabilities

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

27. By advancing loans to other bodies, the council is exposing itself to the risk that the borrower defaults on repayments. The council must therefore ensure that these loans are prudent and that the risk implications have been fully considered, and that the cumulative exposure of the council is proportionate and prudent.

28. The council will ensure that a full due diligence exercise is undertaken, and adequate security is in place. The business case will balance the benefits and risks. All loans are agreed by cabinet and will be subject to close, regular monitoring.

29. In addition to debt liabilities set out in the treasury management strategy, the council is committed to making future payments to cover any pension deficit. The pension fund is subject to a triennial valuation, and the revenue implications are built into the MTFS.

Revenue budget implications

30. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and the Minimum Revenue Provision (MRP) or voluntary debt repayment in Housing Revenue Account (HRA) are charged to revenue as financing costs. This is then compared to the net revenue stream (Appendix E).

31. Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend up to 50 years into the future. Capital investment decision-making is not only about ensuring that the initial allocation of capital funds meets corporate and service priorities but also ensuring that the asset is fully utilised, sustainable and affordable throughout its whole life.

32. This overarching commitment to long- term affordability is a key principle in any capital investment-appraisal decision. In approving the inclusion of schemes and projects within the capital programme, the Strategic Director of Resources must be satisfied that the proposed capital programme is prudent, affordable, and sustainable.

Knowledge and skills

33. The council has professionally qualified staff across a range of disciplines including finance, legal and property that follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills.

34. The council establishes project teams from all the professional disciplines across the council as and when required. External professional advice is taken where required and will always be sought in consideration of any major commercial property investment decision.

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

APPENDIX F

ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2026-27

Background

1. Minimum Revenue Provision (MRP) is a statutory requirement to make a charge to the council's General Fund to meet the cost of capital expenditure that has not been financed by available resources.

2. The Local Government Act 2003 requires local authorities to have regard to the Ministry of Housing, Communities & Local Government (MHCLG) Guidance on Minimum Revenue Provision.

3. The broad aim of the guidance is to ensure that capital expenditure is financed over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

4. The guidance requires the council to approve an Annual MRP Policy Statement each year. This statement forms a part of the treasury management strategy considered by council assembly annually. The guidance outlines four options for calculating a prudent amount of MRP. These are listed below in Table 1:

Table 1: Options for Calculating a Prudent Minimum Revenue Provision (MRP)

Option	Calculation method	Applies to
1: Regulatory method	Formulae set out in 2003 Regulations (later revoked)	Expenditure incurred before 1 April 2008
2: CFR method	4% of Capital Financing Requirement	Expenditure incurred before 1 April 2008
3: Asset life method	Amortises MRP over the expected life of the asset	Expenditure incurred after 1 April 2008
4: Depreciation method	Charge MRP on the same basis as depreciation	Expenditure incurred after 1 April 2008

Council Policy

5. The Council is recommended to approve the following MRP Statement:

6. For capital expenditure incurred before 1 April 2008, MRP will be calculated using Option 3 (asset life method) on an annuity basis over the 40 years remaining as at 31 March 2018 and at a discount rate of 6%.

7. For all capital expenditure incurred after 1 April 2008 financed wholly or partly by borrowing, MRP will also be based upon the asset life method under Option 3. The discount rate in use will be the average new loan annuity PWLB rate for the previous year.

8. In using an annuity approach, estimated useful lives will align to the life assigned to the asset for depreciation purposes which is determined by a RICS-registered valuer as part of the valuation of fixed assets. When borrowing to construct an asset, the asset life will be treated as commencing in the year after the asset first becomes operational. If no useful life can reasonably be attributed to an asset, the estimated useful life will be taken to be a maximum of 50 years.

9. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be commensurate with that over which the capital expenditure provides benefits.

10. Asset lives will only exceed the maximum useful life of 50 years as stated under the regulations in two scenarios:
    a. Where the Council has an opinion from an appropriately qualified professional advisor that an asset will deliver service for more than 50 years; and
    b. For a lease or PFI asset, where the length of the lease or PFI contract exceeds 50 years. In this case the length of the contract will be used.

11. The MRP on non-commercial loans is calculated based on asset life method under Option 3.

12. Where capital expenditure involves a variety of different types of works and assets, the period over which the overall expenditure is judged to have benefit over shall be considered as the life for MRP purposes. Expenditure arising from or related or incidental to major elements of a capital project may be treated as having the same asset life for MRP purposes as the major element itself. An estimate of the life of capital expenditure may also be made by reference to a collection or grouping of expenditure type or types.

APPENDIX G

GLOSSARY

CFR: capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

CNAV (MMF): a type of money market fund that aims to maintain a stable price per share.

CPI: consumer price index –the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

ESG: is short for Environmental, Social and Governance – is a set of standards measuring a business's impact on society, the environment, and how transparent and accountable it is.

Gilts: gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a coupon and is at a rate that is fixed for the duration until maturity of the gilt, (unless a gilt is index linked to inflation); while the coupon rate is fixed, the yields will change inversely to the price of gilts i.e. a rise in the price of a gilt will mean that its yield will fall.

HRA: housing revenue account.

LVNAV (MMF): are short-term low volatility MMFs. Funds are primarily invested in money market instruments, deposits and other short-term assets.

MHCLG: the Ministry of Housing, Communities and Local Government -the Government department that directs local authorities in England.

MMF: a mutual fund investing in high quality short-term money market instruments and cash.

MPC: the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

MRP: minimum revenue provision **-** a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

NAV: net asset value**.**

PFI: Private Finance Initiative –capital expenditure financed by the private sector i.e. not by direct borrowing by a local authority.

PWLB: Public Works Loan Board –this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

SONIA: the Sterling Overnight Index Average. Generally, a replacement set of indices (for LIBID) for those benchmarking their investments. The benchmarking options include using a forward-looking (term) set of reference rates and/or a backward-looking set of reference rates that reflect the investment yield curve at the time an investment decision was taken.

TMSS: the annual treasury management strategy statement reports that all local authorities are required to submit for approval by the full council before the start of each financial year.

TMP's: Treasury Management Practices that set out the manner in which the organisation will seek to achieve it treasury policies and objectives and prescribing how it will manage and control those activities

VNAV (MMF): Variable Net Asset Value, refers to funds which use mark-to-market accounting to value some of their assets The NAV of these funds will vary.

Agenda Item 18

Meeting Name:	Audit, governance and standards committee
Date:	19 November 2025
Report title:	Independent members of the audit, governance and standards (civic awards) sub-committee: Recommendations
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	N/A
From:	Constitutional team

RECOMMENDATIONS

1. That the committee notes the criteria set out below for inviting individuals to join the audit, governance and standards (civic awards) sub-committee ('the civic awards sub-committee') for evaluating nominations for the 2025 Civic Awards.

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

BACKGROUND INFORMATION

3. The Southwark Civic Awards scheme was initiated in 1997 for the purposes of recognising exceptional contributions to community life by individuals and organisations in the borough. Originally, the scheme was administered on behalf of the council by the Southwark Civic Association which made recommendations to the Standards Committee for the granting of Civic Awards. In 2015 council assembly resolved that the administration of the civic awards be carried out by the council itself.

4. The Civic Awards have evolved over time and now include:

   - The Liberty of the Old Metropolitan Borough of Bermondsey
   - The Liberty of the Old Metropolitan Borough of Camberwell
   - The Liberty of the Old Metropolitan Borough of Southwark
   - The Young Citizen of the Year Award
   - The Climate Champion Award
   - The Mayor's Discretionary Award
   - Southwark Together Award(s)

5. In March each year the civic awards sub-committee is convened to review nominations for awards and decide the recipients for the year. In order to

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

KEY ISSUES FOR CONSIDERATION

6. Council assembly wishes to see Southwark as ‘a leader and serve as a beacon to others in demonstrating how to create the tolerant, open and mutually supportive society we want to see’. These values should be reflected in how independent members of the civic awards sub-committee are chosen.

7. As the role entails a one-off voluntary commitment, it is not appropriate to open up membership to a formal, public competition. Instead, independent members can be invited to join with invitations based on the following criteria.

8. Invitees should:
   - Have a good understanding of the borough and its diverse communities
   - Be familiar with the borough’s Voluntary and Community Sector (VCS)
   - Be able to understand and evaluate nominations for Civic Awards
   - Not be a nominee or represent an organisation that is nominated.

9. As a group, the independent members should:
   - Have a gender balance
   - Reflect the cultural and ethnic diversity of the borough
   - Include at least one person under 25.

10. Officers considers that these are appropriate criteria and will be actively engaging with the voluntary and community sector and others within Southwark to find people interested, and would welcome the audit, governance and standards committee’s comments on the criteria and recommendations for people to contact.

11. The committee will be provided with a list of at least four individuals by the end of January 2026 so selection can be made in time for the civic awards sub-committee meeting in March 2026.

Policy implications

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

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

Community impact statement

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

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Consultation

18. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

19. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Assistant chief executive, governance and assurance	
Report Author	Virginia Wynn-Jones, principal constitutional officer	
Version	Final	
Dated	10 November 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		10 November 2025

Agenda Item 19

Meeting Name:	Audit, Governance and Standards Committee
Date:	19 November 2025
Report title:	In year review of work programme 2025-26: November 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	7 November 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		7 November 2025

APPENDIX 1

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
Housing asset management
Outcomes of the whistleblowing policy
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
Retrospective approvals to contract decision: GW3 Communal Lighting & Electrical Testing (from November)
Retrospective approvals to contract decision: Integrated Community Equipment Service
Audit update report (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.

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MUNICIPAL YEAR 2025-26

COMMITTEE: **AUDIT, GOVERNANCE AND STANDARDS COMMITTEE (OPEN AGENDA)**

NOTE: Original held in Constitutional Team; all amendments/queries to Virginia Wynn-Jones, Constitutional Team on 020 7525 7055 or virginia.wynn-jones@southwark.gov.uk

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Councillor Barrie Hargrove (Chair)	1	Clive Palfreyman	By email
Councillor Ellie Cumbo	1	Tim Jones	By email
Councillor Dora Dixon-Fyle	1	Geraldine Chadwick	By email
Councillor Adam Hood	1	Hasina Shah	By email
Councillor Graham Neale	1	Ashleigh Jones	By email
Councillor Andy Simmons	1		
Councillor Kieron Williams	1		
RESERVES		**BDO** (Internal Auditors)	
Councillor Maggie Browning	By email	Aaron Winter	By email
Councillor Gavin Edwards	By email		
Councillor Nick Johnson	By email		
Councillor Margy Newens	By email	**KPMG**	
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Councillor Stephanie Cryan	By email	**Total Print Run:**	**10**
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Doreen Forrester-Brown	1		
COMMUNICATIONS			
Eddie Townsend	By email		
CONSTITUTIONAL TEAM			
Virginia Wynn-Jones	2		
INDEPENDENT PERSONS			
Ms Natasha Jindal	By email		
Ms Amrit Mangra	By email		
Mr Gary Roberts	By email		
		List Updated: October 2025	

MUNICIPAL YEAR 2025-26

COMMITTEE: **AUDIT, GOVERNANCE AND STANDARDS COMMITTEE (CLOSED AGENDA)**

NOTE: Original held in Constitutional Team; all amendments/queries to Virginia Wynn-Jones, Constitutional Team on 020 7525 7055 or virginia.wynn-jones@southwark.gov.uk

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Councillor Andy Simmons	1		
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Ms Natasha Jindal	By email		
Ms Amrit Mangra	By email	List Updated: October 2025	
Mr Gary Roberts	By email		