

Appendix 1

Annual Governance Statement 2021-22

Introduction and acknowledgement of responsibility

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

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

The principles of good governance

2.1 The CIPFA/SoLACE Delivering Good Governance publication (2016) defines the various principles of good governance in the public sector. The document sets out seven core principles that underpin the governance framework and these are set out in Table 1 below

Table 1 – Core principles of the CIPFA/SoLACE framework



Annex 1 sets out in more detail how the council is meeting these seven requirements in practice.

Key elements of the council's governance arrangements

3.1 The governance framework at Southwark Council comprises the systems and processes, culture and values which the council has adopted in order to deliver on the above principles. The council has a separate code of governance, which is consistent with the principles of the CIPFA/SoLACE framework (2016). This is updated each year and evidence actively collated and assessed for compliance. Compliance with the code will be reported to the audit governance and standards committee in September 2022.

3.2 The CIPFA Advisory Note 'Understanding the Challenge to Local Authority Governance' (March 2022) restates the importance of increasing awareness and strengthening of governance arrangements following the significant and high profile failures in some local authorities. These concerns were reaffirmed by the Department for Levelling Up, Housing and Communities (DLUHC) in their 2020 report 'Addressing cultural and governance failings in local authorities: lessons from recent interventions'.

3.3 For good governance to function well, the CIPFA Advisory Note, highlighted the need for organisations to encourage and facilitate a high level of robust internal challenge through strengthening audit committees and internal challenge.

3.4 The diagram below highlights the value an audit committee can add across an organisation.



Source: *Audit Committees: Practical Guidance for Local Authorities and Police* (CIPFA, 2018)

3.5 'The CIPFA Financial Management Code 2019 (FM Code) was introduced during 2020-21, to improve the financial resilience of organisations by embedding enhanced standards of financial management. Although the implementation of the FM Code was mandatory only from 2021-22, the

council assessed compliance with the Code a year before this, in 2020-21, to ensure full compliance in 2021-22.

3.6 The governance framework incorporated into this Annual Governance Statement has been in place at Southwark Council for the year ended 31 March 2022 and up to the date of the approval for the statement of accounts. Table 2 outlines the governance framework.

Table 2 – Overview of the council’s governance framework

<p style="text-align: center;">Council, Cabinet and Leader</p> <ul style="list-style-type: none"> ➤ Provide leadership, approve the budget, develop and set policy ➤ Approve the constitution which sets out how the council operates ➤ Agree borough plan priorities, developed in consultation with residents and stakeholders 	<p style="text-align: center;">Scrutiny and review</p> <ul style="list-style-type: none"> ➤ Scrutiny commissions review council policy and can challenge decisions ➤ Audit, governance and standards committee reviews governance and promotes and maintains high standards of conduct by councillors
<p style="text-align: center;">Decision making</p> <ul style="list-style-type: none"> ➤ All decisions made in compliance with law and council constitution ➤ Meetings have either been held in public or access has been arranged for the public to attend virtual meetings ➤ Decisions are recorded on the council website 	<p style="text-align: center;">Risk Management</p> <ul style="list-style-type: none"> ➤ Risk management strategy ensures proper management of risks ➤ Risk registers identify both strategic and operational risks
<p style="text-align: center;">Chief Officers Team</p> <ul style="list-style-type: none"> ➤ Head of Paid Service is the Chief Executive and is responsible for all council staff and leading an effective chief officer team (COT) ➤ The Strategic director of Finance and Governance is the council’s Section 151 officer and is responsible for safeguarding the council’s financial position and ensuring value for money ➤ The Director of Law and Governance is the council’s monitoring officer who, with the Strategic Director of Finance and Governance, is responsible for ensuring legality and promoting high standards of conduct in public life. 	

Constitution and Committees

3.7. The [Council Assembly](#) is responsible for approving the budget, developing policies, making constitutional decisions and deciding local legislation. The council assembly elects the leader for a term of four years, and the leader appoints a cabinet of up to ten councillors (including him/herself), each holding a special portfolio of responsibility. The council leader, Councillor Kieron Williams was appointed in September 2020.

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

3.9 The overview and scrutiny committee and its scrutiny commissions scrutinise decisions made by the cabinet, and those delegated to officers, and review services provided by the council and its partners. The scrutiny officer promotes and supports the council's scrutiny functions.

3.10 The cabinet has developed a fairer future vision for Southwark, which is published on the council's website. It is reviewed and updated according to changing statutory requirements, the evolving social and economic situation, analyses of needs and the performance of the council against its priorities

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

Borough Plan

3.12 The overall budget and policy framework of the council is set by the council assembly and all decisions are made within this framework. The council's overall policy is represented through the [Borough Plan](#) which is developed alongside the budget through consultation with residents and other stakeholders in the borough, and which sets out how the fairer future vision will be delivered. Performance against the borough plan is monitored throughout the year. Progress is reviewed quarterly by the leader, lead cabinet member for performance and respective cabinet members and is reported through an annual performance report at the end of each financial year. The council also monitors its performance through feedback from its residents and service users.

3.13 The Borough Plan is a key reference tool for the Fairer Future medium term financial strategy 2022-23 to 2026-27 which enables the council to make best use of financial resources available and to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders. The Borough Plan for the period to May 2022 was approved by council assembly in November 2020. A new Borough Plan to 2030 will be developed over 2022-23. In addition, a Council Delivery Plan to 2026, setting out specifically what the Council will deliver, is expected to be agreed in September 2022.

3.14 From the Borough Plan, service plans and business plans are developed and individual officer work plans are agreed, with performance targets agreed at every level. Detailed budgets are aligned to corresponding plans following a robust budget challenge process, which challenges managers to demonstrate efficiency and value for money, and performance is monitored and managed at every level on a regular basis.

Performance, Policies, Risk and Financial Arrangements

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

3.16 The council also has a whistleblowing policy, which encourages staff and other concerned parties to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment.

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

3.18 The council's financial management arrangements conform to the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2016). The chief financial officer is the Strategic Director of Finance and Governance, who has statutory responsibility for the proper management of the council's finances and is a key member of the chief officer team. He formally devolves the management of the council's finances within departments to strategic directors through the Scheme of Delegation for Financial Authority and Accountability. Strategic directors further devolve decision making through departmental schemes of management. The Strategic Director of Finance and Governance also provides detailed finance protocols, financial regulations, procedures, guidance and finance training for managers and staff.

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

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

Review of effectiveness

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

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

4.3 The key elements of the review of effectiveness are:

4.3.1 the council's internal management processes, such as performance monitoring and reporting; the staff performance appraisal framework; internal surveys of awareness of corporate policies; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget challenge process.

4.3.2 An annual self-assessment and management assurance statement signed by strategic directors, confirming that the Code of Conduct, Financial Standing Orders and Financial Regulations and other corporate governance processes have operated as intended within their directorates throughout the year.

4.3.3 The audit executive opinion to members on the adequacy and effectiveness of the internal control system, the council's risk management and governance process. Due to the Covid-19 pandemic, audits that were delayed in 2020-21 were rescheduled so that the plan could be rolled forward to the first quarter of 2021-22. All work relating to the 2020-21 plan has been completed and was reported to the audit governance and standards committee in November 2022.

4.3.4 The opinion based on the draft annual audit report 2021-22 provides an overall assurance of moderate. This denotes that the overall audit work conducted significantly meets expectations and provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review.

4.3.5 Internal audits have strengthened local and corporate wide arrangements. The council's improvement plan has been further embedded to enhance the risk management arrangements.

4.3.6 The work of the corporate governance panel (CGP) to ensure that the council continues to have appropriate and fit for purpose governance arrangements that are recognised and applied across the council.

4.3.7 The audit, governance and standards (AGS) committee is independent and separate from the scrutiny function delivery through the Oversight and Scrutiny Committee and from the decision making committees. The audit committee provides an oversight on a range of core governance and accountability arrangements.

4.3.8 The annual report on the corporate risk register and risk management arrangements which were presented to the 7 February 2022, audit, governance and standards committee for discussion. The council's corporate risk register is prepared following joint assessment by officers of all departmental risks. Each department reviews their risk registers on a quarterly basis. Each risk is accompanied by a mitigation setting out the controls in place to manage risk. The total number of risks has seen a very slight decrease since 2020-21. The top risks are those that have been assessed as 'amber' or 'red' and appear in more than one department and often require most proactive management actions to control and mitigate these risks. The high level risks highlighted in January 2022 were:

- Post pandemic recovery
- Cyber security, IT, Data Information management
- Acute socio- economic factors
- Welfare reform
- Medium term financial planning
- Transformation and major projects
- Legal and regulatory- Government policy
- Unforeseen Major event
- Asset management
- Failure of key provider
- Climate emergency
- Fraud
- Health and Safety

4.3.9 The AGS committee formal review of their performance. The February 2022 meeting concluded that the work programme in place had enabled the committee to carry out its functions effectively. The committee had continued to ask questions and raise issues on matters before it, in a challenging yet constructive way. In some cases, this has resulted in further information being provided to the committee to provide the assurance sought; in others, it had resulted in increased focus on the implementation of action plans. In particular, through the 2021-22 work programme, Members were able to be assured that:-

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

- 4.3.10 Departmental governance conversations. In 21-22, the AGS committee invited Strategic Directors and the Chief Executive to discuss their departments' governance arrangements. These 'governance discussions' have provided details of departmental governance arrangements, departmental risk registers, associated controls and mitigations and allowed Members to discuss and challenge particular governance issues.
- 4.3.11 Review of governance issues in other councils. In June 2021, the committee received a report on the 'public interest reports' which brought to their attention the grant Thornton report 'lessons from recent Public Interest reports' which summarised the findings from the Public Interest reports (PIRs) at Nottingham City Council, LB Croydon, and Northampton Borough Council. The report suggested that in all cases there was a lack of challenge and scrutiny and recommended a establishing a healthy management culture. which can be achieved by compliance with the CIPFA FM code and have a clear strategy of maintaining adequate reserves
- 4.3.12 The review of compliance with the CIPFA FM Code 2021-22. The purpose of the code is to provide a strong foundation to manage financial resilience, to meet unforeseen demands on services and to manage unexpected shocks in financial circumstances. Although implementation was not compulsory in 2020-21, the council reviewed compliance a year early, as the impact of the Covid-19 pandemic provided an example of an unexpected financial shock that tested the financial resilience of the council.
- 4.3.13 Review of the council's financial sustainability. The council reviewed sustainability against the CIPFA financial resilience index over 2 years scoring as 'low risk' on the reserve sustainability measure and 'extremely low risk' regarding the change in reserves year on year.

Assurance statement

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

5.2 The council has been impacted for a second year by the coronavirus pandemic, issues relating to the pandemic are raised in the 'Governance issues' section and have been highlighted in the 'Areas of Significant Change' section.

Governance issues

Governance issues highlighted in 2020-21

6.1 Specific opportunities for improvement in governance and internal controls identified as part of the assurance processes have been addressed, or are included, in action plans for the relevant managers.

6.2 There was a continued focus on the following significant governance issues highlighted last year:

6.2.1 The nature of the council's business activities means that there are ongoing information governance risks, including cyber security and IT network security, which continues to require careful management, particularly in the context of the IT shared service arrangements. The audit, governance and standards committee requested an update on the Shared Technology Services (STS) governance arrangements in November 2021. The committee received assurance on the Inter Authority Agreement and 'Major Incident' processes that are in place in the event of a significant technical failure or outage.

6.2.3 The commitment to ensure Southwark is carbon neutral by 2030. The council has delivered a climate change strategy and action plan and continues to invest substantial resources in projects that contribute to this key priority, including the commitment to build energy efficient new homes, to provide efficient heating systems in council homes, to plant trees and to improve air quality.

6.2.4 The continued management rigour in ensuring strong and effective governance of the council's ambitious housing delivery programmes, including the regeneration programme.

6.2.5 The funding of local government after years of austerity and the uncertainty around funding from 2023-24 due to a lack of a multi year settlement continue to subject the council to considerable risk. An update on the council's medium term financial strategy together with further analysis of the impact on the council of Covid 19 was presented to cabinet and council assembly in February 2022.

6.3. An external review of the Waste & Cleaning Service was undertaken by the Association of Public Service Excellence during 2021/22. This review provided a number of recommendations around the provision of in-house cleaning services to improve cost effectiveness and management of services.

Impact of the Covid-19 pandemic in 2021-22

6.4 Specifically highlighted in the 2020-21 Annual Governance Statement was the impact on council services of the Covid-19 pandemic. This continued to be a significant risk throughout 2021-22, but key governance processes and functions have been maintained and have been found to be robust over the past two years during the Covid-19 pandemic.

6.5 The impact of the Covid-19 pandemic continued to be the most significant governance event for all council departments. To ensure full transparency, the financial impact of the Covid 19 pandemic have been brought to every audit, governance and standards (AGS) committee since July 2020.

6.6 Emergency response arrangements to plan and manage our Covid response were stood down in February 2022. This followed agreement by government to lift remaining restrictions and move forward with their 'Living with Covid' planning document. The council continues to monitor the impact of Covid and acting on the advice of the Director of Public Health, will stand up

emergency response arrangements in the event of a significant variation in the impact of the virus on the borough's residents and services.

6.7 In order to protect Southwark's residents, Public Health established strong outbreak prevention control measures such as local testing facilities including targeted 'surge' testing for 'Variants of Concern', local contact tracing, a response centre for outbreaks and incident management and community prevention schemes such as community health ambassadors. The impact of the pandemic on Southwark's population was reviewed using national and local surveillance data to identify lessons to inform the development of actions and policies with regard to tackling health inequalities and Black Lives Matter.

6.8 The Coronavirus Act (2020) allowed authorities to conduct meetings and take decisions in ways other than face to face so that decisions could be made to maintain good governance, principles of openness and accountability. These meeting have reverted to being in person from May 2021, which has required careful planning to resume 'some kind of normality' but with social distancing and safe ways of working continuing to be in place.

6.9 Additional demands were made on IT systems and staff with most office based staff continued to work remotely throughout 2021-22. Ways of working were adapted across all functions to learn from the benefits (and limitations) created by the pandemic. No service has been detrimentally impacted in terms of delivery of priority outcomes in line with the Borough Plan. In 2022-23, further changes will be made to working patterns as the council plans to gradually bring all staff back to the office for part of the week to facilitate efficient team working. This will need to be carefully managed.

6.10. The council has continued to tailor service provision and resources to vulnerable residents, support local businesses and communities as well as maintaining essential services. A needs assessment was carried out on food poverty to inform the development of a network of food insecurity measures such as food banks, community larders and holiday hunger programmes. The Southwark Emergency Support Scheme will continue into 2022-23 with a renewed focus on supporting vulnerable residents through the cost of living crisis.

6.11 Environmental Regulatory Services worked with residents and businesses to engage, support and enforce social distancing and covid-safe workplaces. And highways and network management teams implemented street space initiatives or Low Traffic Neighbourhoods (LTNs). These programmes have been in accordance with the council's contract standing orders, financial regulations and scheme of management and have been reviewed by independent consultants, approved by Cabinet, and included an extensive consultation process with all stakeholders inclusive of protected characteristic groups and ethnic minorities.

6.12 The pandemic and the resultant imposition of lockdowns have had a fundamental impact on the operation and financial performance of the council's leisure facilities. Income reduced and financial support was required to keep the facilities open. The council continues to prioritise the health and wellbeing of Southwark residents. In September 2021, Cabinet approved the in-sourcing of the council's leisure facilities which will take place in June 2023. This decision and the overall

process presents many opportunities for the council and its residents but also presents significant concomitant financial risk, particularly in the post-Covid leisure environment. The council recognises this risk and over 2022-23, while the council prepares the process of in-sourcing, it will manage this through the departmental revenue monitoring process and through presentation of progress reports to cabinet.

6.13 But despite all these challenges and adaptations in 2021-22, the council has continued to maintain consistent essential services for residents. The council's strong collaborative approach has continued to be effective at achieving a unified response, working with key partners in the NHS, police and voluntary and community sectors. The continued ability of the council to adapt and change to the changes in the pandemic have added assurance to the effectiveness of the council's business continuity plans, communications strategy and governance arrangements.

The risks moving forward have been detailed in the Areas of Significant Change.

Areas of significant change

7.1 The council also faces a number of areas of significant change that will require consideration and action as appropriate in 2022-23 and the medium-term. Significant issues identified include:

Impact of Coronavirus pandemic on council services 2022-23

7.2 The covid pandemic has seen a large disruption to the economy, which in turn, impacted on council communities, services and finances. The government's plan 'Covid-19 response: Living with Covid' outlines the government's plan for living with covid. It aims to remove regulations and restrictions and replace this with public health measures and guidance. The council will face new challenges deciding what services continue virtually, which return to face to face, and which are delivered through a hybrid or alternative approach.

7.3 To reflect the easing of restrictions, as per the government's roadmap, Covid council wide emergency response arrangements and associated meetings ceased from February 2022. Looking forward, all decisions will be made in line with the Council's normal governance and decision making processes.

7.4 The council received £11 million to support the ongoing financial impact of the pandemic. This was to support the extra costs that were expected between April and June 2021. No further general funding was received in 2021-22, and it has been confirmed by central government that no further 'Covid specific' funding will be received in 2022-23.

7.5 Southwark Stands Together (SST) affirms our commitment and pledge as a council to tackle inequality in our workforce and communities and has therefore been embedded into our practices to ensure that equality, diversity and inclusion (EDI) is treated as a business critical issue. Our leaders have a responsibility to engage with our workforce to adopt a positive action approach to achieve sustainable improvements in the EDI space. The pandemic has highlighted the increased risk to many of our vulnerable employees who may be more likely to suffer from adverse impacts should

they contract the virus. We continue to work with our public health colleagues to increase awareness and take up of the vaccine particularly in hesitant communities where take up is low.

7.6 SST remains a priority for our workforce as we embed the outcomes of the programme into business as usual. However, there will be on-going oversight of progress around EDI which is being monitored by our Chief Officer Team. This will ensure that we continue to improve the experience of our Black, Asian and ethnic minority colleagues to eliminate discriminatory practices across the council whilst we to continue protect the health and well-being of our workforce through the adoption of anti-racist interventions and strategies.

Other significant changes in 2022-23

7.7 A new Chief Executive, Althea Loderick, was appointed by the Council Assembly on 23 March 2022. She will start in May 2022, which together with the changes resulting from the local council elections on 5 May 2022 represent a significant change to the leadership and management of the council. Given these changes, the audit plan has been agreed for 6 months in 2022-23 with an indicative strategic plan for the latter six months of 2022-23 and for 2023-24. This will be extended to include 2024-25 when the full internal audit plan for 2022-23 is prepared.

7.8 The council has embarked on a comprehensive programme of induction for new (and returning) Members to ensure they have a good understanding of the council's governance programme and to maintain high standards of conduct. They will be inducted into their roles in council business, decision-making and how to be effective councillors when exercising their community leadership role.

Economic uncertainties

7.9 The specific uncertainties in the funding of local government are exacerbated by high current levels of inflation. ONS data puts inflation at 7% in the 12 months to March 2022, the highest since 1992. The Bank of England rate in June 2022 was higher at 9.1%. There has been significant price volatility during the pandemic due to disruption in global supply chains and currently the economy is facing a period of high energy prices, due to depleted gas storage supplies in Europe and a shortage of supply due to the war between Ukraine and Russia, which is the key driver of the recent increases in inflation. Despite the government announcing measures to respond to high energy prices, inflation is still expected to increase more quickly than post – tax incomes. And higher inflation rates will have a higher proportionate impact on poorer households, as energy will account for a higher share of their budget.

7.10 Recent changes to Universal Credit also mean that many benefit claimants will be worse off. The £20 a week increase, brought in to help recipients whose income suffered as a result of the pandemic, ended in September 2021. The Institute of Government suggest that even with changes to in-work benefits, three quarters of households on Universal Credit are set to receive less from April 2022 than in the previous year. And for recipients who do not work at all, they will lose the entire Covid uplift, amounting to £1,040 a year.

7.11 The tax increases announced at the Spring Statement 2022 were larger (as a share of national income) than those announced in any year since 1993. The income tax personal allowance and higher rate threshold were frozen for four years from April 2022, instead of increasing in line with inflation as planned. The Institute for Fiscal Studies (IFS) has calculated that wages would need to increase by 9% in April to prevent real post-tax wages from falling.

7.12 Inflation and tax increases are contributing to a 'cost of living crisis' as real income falls as a combination of high inflation outstrips wage increases and post April 2022 tax increases have squeezed incomes for many households. The increase in the cost of living will impact disproportionately on the most vulnerable residents, as reductions in disposable income is likely to increase food poverty. In the 2022-23 budget, the council has allocated additional resources to support those facing food poverty. The council will have to create a future strategy to support the vulnerable over the longer term.

7.13 High levels of inflation will also reduce the spending power of councils. Council revenue through council tax collection and rent payments and other sales, fees and charges may deteriorate as households face competing demands on their income. It will potentially exacerbate the funding crisis in local government.

Council Budget

7.14 The post pandemic landscape though not yet fully understood will continue to test financial governance arrangements and risk mitigation strategies. Despite the promise of additional funding for local government in the medium term, additional resources were only allocated for 2022-23 and mainly targeted towards the changes in adult social care. As expected, the council had to use the flexibility offered by the government to support adult social care through a precept equivalent to 2%, (on the basis that these additional funds will be used exclusively for adult social care) and to set a 1.99% increase in council tax for 2022-23 to protect vital frontline services. But there remains continued financial uncertainty regarding government funding of local government beyond 2022-23, as a result of the lack of a multi-year settlement and potential changes to the way local government is funded.

7.15 The council budget for 2022-23 has been based on robust and realistic assumptions and have been subjected to intense budget challenge from council members. However, the uncertainties of the economic environment, the fact we are awaiting a multi-year settlement, the scale of the expenditure reductions faced over the last decade and the growing demands on services, mean that there are still significant risks facing the authority. To mitigate this risk, the budget challenge process will continue to start early in 2022-23 to ensure that there is time to consider options to manage future service and funding risks. A Budget Recovery Board has been established to closely monitor areas where spending has been significantly higher than budgets in 2020-21. These include:

- The costs of temporary accommodation as budgets overspent by £6m in 2021-22.
- The Dedicated Schools Grant (DSG) with a £22m deficit due to significant unfunded pressures on high needs at the end of 2021-22.

Assessing Risk

7.16 The review of the compliance with the FM code in Southwark included reviewing financial sustainability against the CIPFA Financial Resilience Index over the previous two years. The council scored as 'low risk' on the reserve sustainability measure and 'extremely low risk' regarding the change in reserves year on year. The council will need to maintain reserves as additional and significant revenue pressures emerge. The use of General Reserves, the Financial Risk Reserve, the Business Rate Retention Risk Reserve and other reserves all form part of the mitigation strategy against future financial risks

7.17 The corporate risk register has been updated to include economic risks including the risk of inflation and the impact of welfare reform. This has the potential to increase demand for council services such as social care, welfare support and housing creating pressure on budgets. Budget commitments to fund these pressures to ensure service sustainability amounts to £14m in 2022-23.

Changes to council services

7.18 The Health and Care Act will establish statutory Integrated Care Boards and Integrated Care partnerships bringing together community health and commissioning functions and strengthening partnerships between the NHS and local government. The reforms aim to create a more integrated system that can provide longer term focus on improving population health and reducing inequalities. The council are reviewing the changes in practice and cultures that will underpin a more collaborative integrated system and prioritise equalities in access to and outcomes of healthcare for Southwark residents.

7.19 The council will undergo an Ofsted inspection in 2022. The previous inspection undertaken by Ofsted was in 2020 during the pandemic, the overall view was that there was an impressive council response to support children's well being and that young people continue to be safeguarded. The report noted that the areas for improvement were already known to senior managers and plans were in place to address these. These findings will be considered again at the 2022 inspection.

7.20 The government set out its new plan for adult social care reform which included a lifetime cap on the amount anyone will need to spend on their personal care alongside a more generous means-test for local authority support. This will be a significant long term change for local authorities where funding from the levy is uncertain and may not cover the costs of implementation, creating a financial risk to the council and to providers of care.

7.21 The Southwark housing strategy has been updated to reflect changes to the Borough Plan and the New Southwark plan and plans to deliver 11,000 new council homes by 2043 (of which 2,500 delivered or started on site by March 2022); with all new homes to be carbon zero. It is a long term strategy where additional funding will be required and the council will seek to work with partners and lobby central government to bring in this additional funding in the long term.

7.22 The council will have to prepare for the future building safety requirements arising from the Dame Judith Hackitt review and the Grenfell inquiry recommendation. This will change how fire and building safety is managed. Keeping residents safe is a key priority, but resourcing the new requirements will be a particular challenge. New procedures will be required to ensure information is recorded and shared as required, and shared with the various new safety bodies being setup.

7.23 The Climate Emergency is a major focus for the council, working in partnership with stakeholders, partners, staff and residents to tackle the effects of global warming. The Council has published a Climate Emergency strategy setting out how the council will become carbon neutral by 2030, and committed an additional £0.5m to establish a Climate Emergency Team. The challenges will include times where the council's priorities may conflict with each other, for example, the cheapest way to improve homes or build new homes may not be the most environmentally friendly, therefore good governance will be essential to help identify the best solutions to these types of problems.

7.24 There will need to be robust governance in the shared IT service, to ensure the right balance of accessible electronic information and services is maintained with the imperative to ensure the council is 'cyber-secure', so that confidential information and vital services are not compromised.

7.25 Although council performance remains strong, a significant proportion of councils are experiencing the challenges in recruiting and retaining essential staff. Uncompetitive pay has been cited as the most common reason as local government pay scales become less attractive in inflationary periods. And the previous benefits of local authority employment (work/life balance) are being more widely on offer outside of local government. The council will have to ensure that retention and recruitment of professional and experienced staff, the implementation of a 'Smart' working programme, introducing new spaces, technology and ways of working are prioritised. This will be essential to support the ambitious council capital programme and to drive through the commitments in the Borough Plan. Interim management arrangements are in place within Human Resources and Organisational Transformation with service recovery planning in place to address vacancies and capacity gaps. This will be reviewed by the new Chief Executive following her arrival in May 2022.

Conclusion

8.1 The council has been hugely impacted by the Covid-19 pandemic for a second year. Governance arrangements have again been tested but have found to be robust and resilient in 2021-22. The recovery from the pandemic will continue to pose a threat to economic recovery, which is currently being exacerbated by the cost of living crisis which will impact on the demand for council services.

8.2 The council is satisfied that appropriate governance arrangements are in place. We propose over the coming year to take steps to address the matters identified above to further enhance our governance arrangements in these challenging times.

Signed on behalf of Southwark Council:

Althea Loderick

Kieron Williams

Chief Executive
Date:

Leader of the Council
Date:

Annex 1 – The CIPFA/SoLACE framework

Priority 1 – Behaving with integrity, with commitment to ethical values, and respect for the rule of law

Codes of Conduct for members and officers reinforce a public service ethos and high standards of behaviour. These are supported by more detailed guidance such as anti-fraud strategy, whistleblowing policy, complaints procedure, contract standing orders, equality and diversity policy (including pledge made in Southwark Stands Together), member and officer protocol.

Priority 2 – Ensuring openness and comprehensive stakeholder engagement

The council engages with stakeholders and partners through joint working arrangements, partnership boards and representation on external bodies' governing boards. Meetings are held in public or access is given to attend Virtual Meetings (unless good reasons for confidentiality) and decisions published on the website. Consultation arrangements are embedded and consultation engagement section on the website includes a consultation hub, forum section. Regular customer surveys are conducted.

Priority 3 – Defining outcomes in terms of sustainable economic, social and environmental benefits

The council's vision for the borough is set out in Fairer Futures. The borough plan sets out how we will deliver the Fairer Future vision and this is underpinned by departmental, service and business unit plans.

Priority 4 – Determining the intervention necessary to achieve intended outcomes

The council tracks performance against the fairer futures promises and borough plan themes in the borough plan performance schedules and produces an annual performance report. Senior management and members ensure the council remains focussed on delivering against agreed objectives and priorities set out in Fairer Futures and underpinned by fairer future medium term financial strategy.

Priority 5 – Developing capacity, including the capability of leadership and individuals within the council

The council's Fairer Future workforce strategy helps make sure that the council's staff can deliver the corporate plans and priorities for the borough. The council continues to invest in training through corporate learning and development programme including member training and development programme. The Southwark Manager toolkit aimed at improving individual and organisational performance.

Priority 6 – Managing risks and performance through strong internal control and financial management

The council has a risk management process to support the management of key risks facing the council. The risk management process is supported by the council's risk management strategy. All departments and business units have risk registers which allocate a risk owner and are regularly reviewed. Internal audit arrangements and audit work programme designed to give assurance on the risk management and internal control processes. The audit, governance and standards committee provides independent assurance of the adequacy of the council's governance arrangements, including its risk management framework and the associated control environment. The council has robust financial management arrangements.

Priority 7 – implementing good practices in transparency, reporting and audit to deliver effective accountability

Minutes of meetings, key decisions, and register of interests, gifts and hospitality and all items of expenditure over £250 are published on the council's website. The council produces an annual performance report, annual financial statements (including details of senior officer remuneration and member allowances) and an annual governance statement.