

# Appendix 1

# Annual Governance Statement 2023-24

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# Introduction

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

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

## The principles of good governance

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

### Core principles of the CIPFA/SoLACE framework



# Key elements of the council's governance arrangements

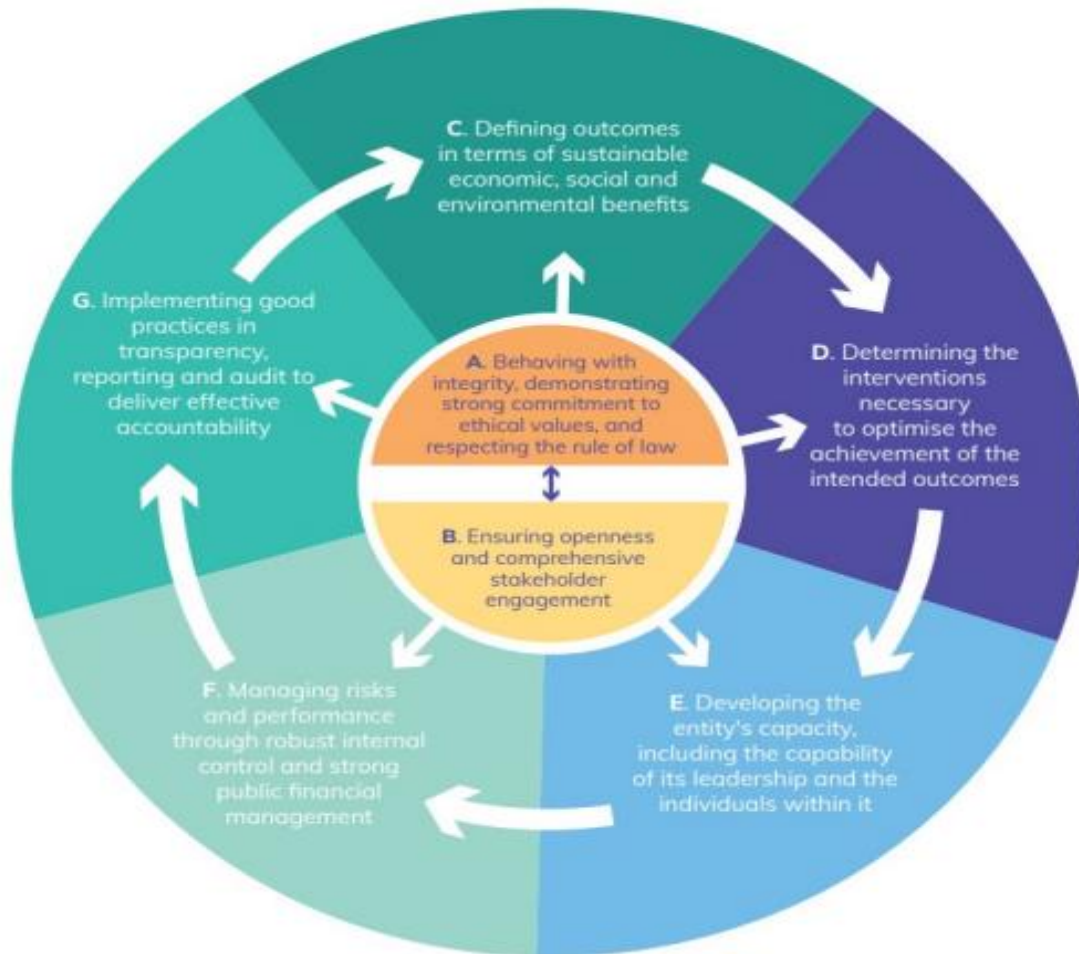
3.1 The governance framework at Southwark Council comprises the systems and processes, culture and values which the council has adopted in order to deliver on the above principles. The council has a separate code of governance, which is consistent with the principles of the CIPFA/SoLACE framework (2016).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

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

3.3 The CIPFA Advisory Note, 'Local audit delays and the publication of the annual governance statement' (December 2023) defines an assurance framework as (Figure 1):

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

**Figure 1: Establishing an effective assurance framework**



3.4 For good governance to function well, the CIPFA Advisory Note, highlighted the need for organisations to encourage and facilitate a high level of robust challenge. The Corporate Peer Challenge undertaken in October 2023, enabled leaders and members to have an external assurance of the governance arrangements in place. The recommendations and action plan arising from the review has provided a welcome steer to enhance and strengthen those arrangements.

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

3.6 The governance framework incorporated into this Annual Governance Statement has been in place at Southwark Council for the year ended 31 March 2024 and up to the date of the approval for the statement of accounts.

## Constitution and Committees

3.7 Council Assembly is responsible for approving the budget, developing policies, making constitutional decisions and deciding local legislation. The council assembly elects the leader for a term of four years and the leader appoints a cabinet (including 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 Assistant Chief Executive, Governance and Assurance, ensures that all decisions made are legal and supports the audit, governance and standards committee in promoting high standards of conduct amongst members.

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

3.10 The council delivery plan 2022-26 is published on the council's website. In addition, the council is working with residents and partners to develop a borough wide strategy 'Southwark 2030' and 'Future Southwark' to further focus council priorities in the longer term.

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

# The Council Delivery Plan

3.12. The 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 [Council Delivery Plan](#) which sets out the priorities and commitments to the people of Southwark. It is developed alongside the budget through consultation with residents and other stakeholders in the borough, and sets out how the delivery plan will be achieved. The plan is centred on seven separate themes:

- Transforming our borough
- A thriving and inclusive economy
- A healthy environment
- Quality, affordable homes
- Keeping you safe
- Investing in communities
- Supporting families.

3.13 These themes describe how the council responds to local priorities such as tackling the rising cost of living, delivering quality homes, reducing carbon emissions, creating new jobs and opportunities and protecting the borough's mental and physical health. The plan also makes clear how the council will deliver on priorities – supporting our young people to succeed at school, ensuring our older people are cared for, keeping our streets clean and ensuring our homes and neighbourhoods are safe and well looked after.

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

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

3.16 From the council delivery plan, service plans and business plans are developed and individual officer work plans are agreed, with performance targets agreed at every level. 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

3.17 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.

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

3.19 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.

3.20 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 who has statutory responsibility for the proper management of the council's finances and is a key member of the corporate management team. He formally devolves the management of the council's finances within departments to strategic directors through the Scheme of Delegation for Financial Authority and Accountability. Strategic directors further devolve decision making through departmental schemes of management. The Strategic Director of Finance provides detailed finance protocols, financial regulations, procedures, guidance and finance training for managers and staff.

3.21 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.

3.22 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 chief audit executive opinion to members on the adequacy and effectiveness of the internal control framework, the council's risk management and governance process. The opinion based on the interim draft annual audit report 2023-24 overall provides moderate assurance. This denotes that there is a sound system of internal control, designed to meet the council's objectives and that controls are being applied consistently, the same opinion as in 2022-23.

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

4.3.5 The audit, governance and standards 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.

4.3.6 The annual report on corporate risk and risk management arrangements which were presented to the 5 February 2024, 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 main purposes of the council's corporate risk management process are:

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

4.3.7 The top risks are those that have been assessed as 'amber' or 'red' and appear in more than one department and often require the most proactive management actions to control and mitigate these risks. The high level risks highlighted in February 2024 were:

- Housing Revenue Account (HRA) financial sustainability;
- Capital programme and major projects;
- Asset management and building safety;
- Acute socio- economic factors;
- Cost of living;
- Medium term financial planning;
- Cyber security, IT, Data and information management;
- Schools and education;
- Health and Safety;
- Climate emergency;
- Recruitment, retention, resources and capacity;

- Health and Social Care Act;
- Legal and regulatory- government policy;
- Failure of key provider;
- Fraud;
- Unforeseen major event.

There is an ongoing review of the risk register to reflect the new corporate structure and to reflect the corporate focus on finance, procurement and business continuity. Business continuity planning has been enhanced across the council and aligned with the council's emergency plan, which is agreed annually by Cabinet. The overall change is a slight decrease in corporate risk from 2022-23, however, the sustainability of the housing revenue account has been added as a significant increasing risk in 2023-24.

4.3.8 The audit governance and standards committee formal review of their performance. The committee assessed its work and performance against the CIPFA's 'Position Statement 2022'<sup>1</sup> at the February 2024 committee and will consider ways to implement continuous improvement, through the CIPFA evaluation checklist at the June 2024 committee.

4.3.9 The committee continued its approach to the consideration of governance by having additional structured reports on high risk areas and committee members continued to ask challenging questions and raise issues on matters before it. In 2023-24, the committee has had in-depth series of reports on the in-sourcing of the council's leisure services and updates on IT cyber security and members enquiries services.

4.3.10 Members confirmed that the reports and governance discussions enabled them 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.

4.3.11 Departmental governance conversations. In 2023-24, the audit, governance and standards committee continued to invite Strategic Directors, the Assistant Chief Executives and the Chief Executive to discuss their departments' governance arrangements. These 'governance discussions'

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<sup>1</sup> CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

provided in depth details of departmental governance arrangements, departmental risk registers, associated controls and mitigations and allowed committee members to discuss and challenge particular governance issues. These discussions will continue into 2024 -25 with a renewed focus on key risk areas.

4.3.12 The review of compliance with the CIPFA Financial Management (FM) Code 2023-24, reported to the audit, governance and standards committee in June 2024. 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.

4.3.13 A key part of the FM Code is a review of the council's financial sustainability against the CIPFA financial resilience index which are benchmarked across other local authorities. This has been particularly pertinent as the number of authorities facing acute financial difficulties (and consequent issuing of a 'Section 114' notice), has significantly increased in recent years. The overall findings across all local authorities in 2023, showed a pattern of falling reserves and increases in social care expenditure. The index showed Southwark Council to be at 'low risk' for the level of general fund reserves and ranked as low risk on the 'reserve sustainability' measure and rated good for children's social care. The areas highlighted in the June 2024 report was the long term financial sustainability of the housing revenue account (HRA) and the levels of external debt. Section 6.2 and 6.4 provides further discussion on the financial sustainability of the council's HRA.

4.3.14 Southwark Council corporate peer challenge. In October 2023, the Local Government Association (LGA) undertook a review of the council to enable a sector led approach to continuous improvement and transparency. The report included eleven recommendations. In response to the recommendations, the council has created an action plan, which assigns senior officer responsibility for delivery for specific actions and a timeframe for delivery. The council is also developing a new internal change programme called 'Future Southwark' to deliver these improvements and to follow on from the long term ambitions and priorities of the council. The Chief Executive discussed the report findings and action plan at the January 2024 cabinet and the February 2024 audit, governance and standards committee.

## Assurance statement

5.1 The review, as detailed above, provides strong evidence of 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.

# Governance issues

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

- Issues highlighted in the 2022-23 annual governance statement: actions and outcomes
- Emerging governance issues in 2023-24
- Areas of Significant Change : looking forward to 2024-25 and the medium term

## Issues highlighted in the 2022-23 Annual Governance Statement: Actions and Outcomes

6.2 The follow up of the governance issues highlighted in 2022-23 are discussed in paragraphs 6.2.1- 6.2.26 and summarised in Table 1.

**Table 1: Summary of Governance Issues and Actions taken**

Governance issues Identified in 2022-23 Annual Governance Statement	Action	Section and paragraph
Housing – HRA  Housing – Temporary accommodation	Housing Revenue Account (HRA) – Long term financial sustainability plan agreed at cabinet  Temporary accommodation- subject to additional scrutiny, enhanced monitoring and mitigating action plans	6.2.1- 6.2.5
Southwark Stands Together (SST)	SST continues to be a key priority for the council. Ethnicity Pay Gap strategy a focus in 2023-24.	6.2.6-6.2.7
Cost of Living Crisis	The council’s response to the crisis has been to support 83,000 households	6.2.8-6.2.11

Southwark 2030	Renewed focus on long term transformation and re-focus of council priorities through Southwark 2030 and Future Southwark	6.2.12 – 6.2.13 and Section 6.4
Staffing  -Reorganisation of the council's senior management structure  - recruitment and retention of staff	Phase one was completed in 2022-23 and Phase two completed in 2023-24 Recruitment and retention of staff remains challenging	6.2.14-6.2.16
External audit	External audit delays – accounts for 2021-22 and 2022-23 have been signed off in April 2024. New auditors Grant Thornton have commenced the 2023-24 audit of accounts	6.2.17-6.2.19
Climate Emergency	Action Plan established	6.2.20- 6.2.22
Other Council Services	Reform of Adult Social Care – delayed until October 2025 by government  Dedicated Schools Grant (DSG) – The council is on track with the SEND management plan and there is a reduced DSG deficit as at 31 March 2024.  In-sourcing of council's leisure services was delivered as planned in June 2023. Performance Monitoring and regular reporting the audit committee.	6.2.23-6.2.26
Local government funding and macro-economic climate	Response to uncertain government funding levels post the next general election by strengthening the short, medium and long term financial strategies	Section 6.3 and 6.4

## *Housing -Housing Revenue Account (HRA)*

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

6.2.2 The government imposed restrictions on the rent rises for social housing, at 7% in 2023-24, and prior to this intervened to reduce social rents by 1% p.a. for the 4 years commencing April 2016. In addition, the HRA has faced unprecedented financial pressures such as additional unfunded regulatory burdens arising from the Fire and Building Safety Acts, exceptionally high inflation in construction markets, and the tripling of interest rates between December 2021 and December 2023. The continuing financial pressures on the housing revenue account have been closely monitored by the council and reported to cabinet throughout 2023-24.

6.2.3 As reported at cabinet in June 2024, the HRA outturn for 2023-24 was an in-year net overspend of £16.4m, with reserves of just £16.9m as at 31 March 2024. Given the size of the council's HRA, reserves should be in the region of £50m. The council have taken immediate action to ensure the ongoing sustainability of the account, by drafting a 10 year HRA Recovery Plan in two phases. Phase 1 seeks to swiftly reduce revenue spend through a range of activities in order to prevent further deterioration in the financial position. Phase 2 seeks to restore HRA budgets to a sustainable level and increase reserves to a prudent level. The plan outlines the rebuilding of reserves from 2028-29.

6.2.4 Phase 1 will require additional borrowing to fund the asset management programme, where costs are currently in excess of the available budget, and due in part by the unfunded costs arising from changes to legislation. This additional borrowing will be paid off over the lifetime of the HRA Recovery Plan, to ensure that long term borrowing is only used to deliver new homes. In addition, the council is putting in place other available measures to reduce the need to borrow, such as curtailing or pausing projects that are funded by borrowing and increasing resources through disposing of uneconomic assets. Section 6.4 discussed the medium term HRA financial outlook.

## *Housing - Temporary accommodation*

6.2.5 Southwark is a leading authority on homeless prevention recognised nationally. However, the cost and demand for temporary accommodation remains unremitting, driven by the growing national homelessness crisis, unaffordable private sector rented accommodation and government restrictions on Local Housing Allowance (LHA) rates meaning welfare benefits no longer cover the cost of private



rented accommodation. These budgetary pressures were closely monitored in 2023-24 by a cross departmental board taking practical steps to increase the supply of appropriate housing solutions. Monitoring of this high pressure area and appropriate mitigating actions will continue into 2024-25.

### *Southwark Stands Together (SST)*

6.2.6 Southwark Stands Together (SST) is the council's ambitious programme of work to tackle racism and promote anti-racist practice, both within the council and our community. The programme continues to be one of the council's most important priorities, with progress overseen by a board chaired by the Chief Executive and attended by members of the Corporate Management Team (CMT) and trade union representatives. Recordings of each board meeting are made available on the council's intranet where they can be viewed by any employee.

6.2.7 During 2023-24, programme activity included the development of a new ethnicity pay gap strategy, which is a commitment in the Council Delivery Plan (CDP). The strategy development process included analysis of anonymised Human Resources (HR) data over the period 2018-19 to 2022-23, and engagement with over 1,000 employees through a combination of surveys, focus groups, and co-design workshops. The council's ethnicity pay gap has reduced from 12.6% in 2018-19 to 9.3% in 2022-23. Our new strategy is designed to build on this progress and continue reducing the council's pay gap. Delivery of the strategy has been incorporated into the wider programme plan for SST.

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

6.2.8 In the Spring Statement 2023, the Institute for Fiscal Studies (IFS)<sup>2</sup> commented that the overall outlook for public finances remained difficult. Although inflation overall was declining, it was still above average pay growth and taxes continued to rise to their highest ever level. In these circumstances, the IFS predicted that households would continue to feel pain in the longer term, and the cost of living crisis continued throughout 2023-24.

6.2.9 Despite a decline to 3.2% by March 2024, inflation still remains higher than the government's target of 2%. The IFS<sup>3</sup> reported a decline in household income driven by a fall in workers real incomes, from inflation outstripping wages, frozen tax thresholds and reductions in average benefit payments - which has been only partially offset by the universal energy rebate and cost of living payments. The Office for Budget Responsibility (OBR) predicted a similar economic outlook. The IFS<sup>4</sup> predicted that average disposable income would be lower at the next election than at the last,

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<sup>2</sup> [Spring Budget 2023 response | Institute for Fiscal Studies \(ifs.org.uk\)](https://www.ifs.org.uk)

<sup>3</sup> 'Living standards since the last election'; (IFS 21 March 2024)

<sup>4</sup> Living Standards, Poverty and inequality in the UK' (IFS) 21 March 2024



which would disproportionately impact on lower income households and would be further exacerbated by the widening gap between those near the top of the income distribution and those at the bottom of the income distribution. The IFS concluded that this parliament has been 'dismal' for material living standards and suggests that this posed a significant challenge for the next government. This outlook would in turn, will create further challenges for the council, as demand for support from residents is unlikely to reduce and additional and adequate funding of public services remains uncertain.

6.2.10. The council pledged to continue to tackle the cost of living crisis for residents through the 'Cost of Living Fund' using both government grants and council resources to provide help with bills. During 2023-24, the council delivered extensive support to many residents, while prioritising those on the lowest incomes and most vulnerable to cost of living impacts. The total value of support distributed was above £10m. Low-income households with children received the most support – including Holiday Free School Meals and expanded eligibility for term-time free school meals for secondary school children. Others receiving support from the fund included pensioners, those with disabilities and older single adult households - especially those on low incomes but not claiming or eligible for welfare benefits.

6.2.11 By working even more closely with our voluntary, community and faith sector partners, we successfully extended the reach of the fund to include our most marginalised or hard-to-reach communities – thanks in part to much greater engagement with our Latin American and African communities. In the autumn and winter, more than sixteen thousand referrals were received through a 'community referral pathway' from dozens of community partners. A larger and more diverse set of partners than last year included emergency food providers, mental health charities, schools, churches, mosques, tenant associations, advice agencies, mutual aid groups and local councillors. In 2023-24 the council supported more than 83,000 households through the cost of living crisis including at least 16,000 households with children providing help with bills – especially food, energy and council tax bills. In addition, the council has provided additional support to those on low incomes to gain access to the best advice. Not all advice had a financial outcome but the average financial gain for all those households receiving one-to-one advice from the 'Southwark Energy Savers' service was estimated at more than £1,300.

6.2.12 The government announced on the 6 March 2024 that the Household Support Fund Grant (HSF) would be further extended for 6 months to September 2024. The council is currently considering options for how to target this funding in the most effective and innovative ways in 2024-25 to support our most vulnerable residents. It is expected that this will be the last tranche of government support for the cost of living crisis. Prior to this support, the council had its own Scheme – the Southwark Emergency Support Scheme- which will continue to support the most vulnerable residents.

## *Southwark 2030 and Future Southwark*

6.2.12 The council continues to commit to a shared long term vision of the future, despite an uncertain economic climate. The Southwark 2030 strategy is in the last phase of development, its aim to reinforce the council's priorities and focus on a change programme. The strategy will be reported to July 2024 cabinet followed by an outcomes framework and action plan in autumn 2024. A new 'Future Southwark' programme has been developed which will support the organisation in delivering the change and improvements required to deliver the vision and goals of the 2030 strategy.

6.2.13 This 'Future Southwark' change programme was agreed in February 2024 by the Corporate Management Team (CMT) and included the case for change, the programme approach, a high level timeline and the programme governance. Future Southwark sets out an ambitious programme, with a framework to measure programme outcomes, based on the council's values. The delivery is by phases, with phase 1 including:-

- a review of corporate resources
- a people powered plan to set out how the council retains and attracts staff
- transformation priorities in line with Southwark 2030
- a strategy for accommodation
- the delivery of the Corporate Peer Challenge action plan.

Phase 2 will be launched in 2024-25, and will focus on the delivery of the 2030 strategy.

To support this programme, significant progress has been made with the appointment of the Director of People and Organisational Development, increasing the staffing of the Human Resources (HR) and drafting a new 'People Power Strategy' to support transformational change and meet the objectives of the corporate delivery plan.

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

6.2.14 The council has undertaken a comprehensive senior management reorganisation to ensure that officer leadership capacity is aligned to the priorities and commitments in the Council Delivery Plan. Following the implementation of a first phase of reorganisation in 2022-23, a second phase was completed in 2023-24. The council's Corporate Management Team now consists of the following roles:

- Chief Executive
- Strategic Director, Children and Adult Services
- Strategic Director, Environment, Neighbourhoods and Growth
- Strategic Director, Housing
- Strategic Director, Finance

- Assistant Chief Executive – Strategy and Communities
- Assistant Chief Executive – Governance and Assurance
- Strategic Director, Integrated Health and Care – this role is shared with, and jointly funded by, the South East London Integrated Care Board

6.2.15 Other significant aspects of the second phase of senior management reorganisation include the following changes:

- the transfer of education functions into the Children and Families division to enable an integrated children’s services model
- the transfer of procurement functions to the Finance directorate

As part of the planned implementation of the new structure, the Strategic Director of Environment, Neighbourhoods and Growth has been temporarily filled via an acting up arrangement and the Director of Planning and Growth is temporarily reporting to the Strategic Director of Finance.

#### *Staffing: Recruitment and retention of staff*

6.2.16 Recruitment and retention of council employees continues to be an important priority. The council has completed a comprehensive review of its approach to recruitment and agreed to invest in a new resourcing service designed to provide hiring managers with specialist expertise in marketing job vacancies and directly sourcing candidates. The new team was established in March 2024 and its impact will be measured by a range of metrics, including the council’s recruitment success rate, i.e. how often advertised roles are filled. In addition, the council has commenced the development of a new workforce strategy – currently titled our “people power plan” – which is designed to ensure the council is doing the right things to recruit, develop and retain a highly performing workforce that can effectively meet the needs of residents and communities. The new strategy and associated delivery plan are due to be launched in autumn 2024.

#### *External Audit*

6.2.17 The council is part of the Public Sector Audit Appointments (PSAA) national scheme which appoints the council’s external auditors. KPMG was appointed to act as the external auditors for five years from 2023-24, replacing the previous auditors, Grant Thornton.

6.2.18. Currently, there is significant uncertainty, accounting technicalities and capacity issues in the external audit market, with delays nationally to signing off local authority accounts. As at 31 December 2023, the backlog of outstanding opinions stood at 771<sup>5</sup>. The Department of Levelling

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<sup>5</sup> [Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/local-audit-delays-joint-statement-on-update-to-proposals-to-clear-the-backlog-and-embed-timely-audit)

up, Housing and communities (DLUHC) proposed a solution to this to clear the outstanding historical audit opinions and to ensure the delays do not return. The legal 'backstop date' by which point all audited accounts up to and including 2022-23 has to be published is 30 September 2024. The council has published ahead of this date in April 2024.

6.2.19 To support the recovery of the system, CIPFA are consulting on changes to the Code of Practice on Local Authority Accounting to reduce the burden of the external audit for 2023-24 and 2024-25, building on recommendations of the Redmond Review<sup>6</sup>. For 2023-24, accounts need to be published by 31 May 2025. KPMG have started the interim audit for 2023-24 and are expected to complete well within this backstop.

### *The Climate Emergency*

6.2.20 The climate emergency is a major focus for the council, working in partnership with stakeholders, partners, staff and residents to tackle the effects of climate change. The council has published a Climate Emergency Strategy and Action Plan setting out how the council will become carbon neutral by 2030 and also working toward moving the borough as a whole towards carbon neutrality by 2030. The cost of the borough being carbon neutral is estimated at £3.9bn, so the council will need central government to increase funding available if it is to fully meet this challenge.

6.2.21 The council committed resources to a dedicated climate change team in 2022. The team is now in place, and is focused on delivering a very ambitious action plan.

6.2.22 The council now considers climate impact as part of all of its decisions and plans to review how it procures to consider climate impact in procurement. The council recognises that there are challenges and often conflicting priorities. For example, there are significant pressures on the council's housing budget. These pressures will make it all the more challenging to find funding to start to decarbonise our housing stock – an issue which is being shared across the country. Good governance in the council is essential to identify and manage these issues.

### *Council Services*

6.2.23 The reform of adult social care has been delayed for another 2 years to October 2025. The planned funding for these reforms has been recycled and is being used to fund existing social care demands in 2023-24 and 2024-25. There is a risk that the implementation of these reforms will not be fully funded as the previous earmarked funding has been used for existing demand pressures.

6.2.24 The council entered into a formal Safety Valve Agreement with the Department for Education (DfE) at the end of the 2022-23 financial year. This is a major programme, put in place by the

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<sup>6</sup> [Redmond Review.pdf \(publishing.service.gov.uk\)](#)

Department for Education (DfE), in recognition of the insufficient funding available for children and young people who have Special Educational Needs and/or Disabilities (SEND). The programme focuses on improving SEND services, in line with Southwark's SEND Strategy 2022-2025 and commits the council to reach an in-year balance on the Dedicated Schools Grant (DSG) by 2024-25 and eliminating that deficit by 2026-27, with the support of Safety Valve funding. Upon entering into the agreement, the council received an initial grant of £9.2m in 2022-23 with an additional £3.77m released by the DfE throughout 2023-24 following the acceptance of successful monitoring reports. The cumulative deficit has been reduced to £9m at year end.

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

6.2.26 The in-sourcing of the council's leisure facilities took place as planned in June 2023, when over 400 staff were TUPE transferred into the council. Work has continued to ensure robust governance is in place, including regular formal reporting in 2023-24 to the audit, governance and standards committee, budget and performance monitoring, internal audit scrutiny, as well as significant service-based systems and processes being embedded. Harmonisation of contracts was achieved in April 2024, for those staff who wished to transfer onto Southwark terms and conditions.

## **Governance areas emerging in 2023-24**

6.3 During the year we have identified the following areas summarised in Table 2 and discussed in paragraphs 6.3.1- 6.3.6.

**Table 2: Summary of emerging governance Issues and actions taken**

<b>Governance Issues emerging in 2023-24</b>	<b>Action</b>	<b>Section and paragraph</b>
Peer Review	Action plan reported to Cabinet	6.3.1-6.3.5
Cyber Security	Ongoing	6.3.6

### *Peer Review*

6.3.1 In October 2023, the council welcomed a team from the Local Government Association (LGA) to undertake a Corporate Peer Challenge. This is a highly valued improvement and assurance tool that is delivered by the sector for the sector. A team of senior local government councillors and officers undertook a review of key finance, performance and governance information to provide robust, strategic challenge and support. It is an added level of overall assurance.

6.3.2 The outcome of the review, the recommendations and the action plan were reported to cabinet in February 2024<sup>7</sup>. Overall, the review stated that the London Borough of Southwark was a good council, with prudent financial management, with a well owned council delivery plan working to deliver new strategic priorities.

6.3.3 The peer review acknowledged that finances were stable, with a good level of reserves. But recognised that the council would not be immune to the challenges across local government for long term sustainability and trends across the sector towards increasing spending. The most urgent of these for Southwark was the HRA and the large capital housing investment programme, increasingly affected by interest rate pressures and construction inflation.

6.3.4 The areas that the peer challenge highlighted as potential focus areas included the housing repairs service, due to the council's very large housing stock and the resultant significant pressures in terms of the demand for and cost of repairs and maintenance. Other key areas highlighted were

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<sup>7</sup> Agenda item 7, 'Southwark Council Corporate Peer Challenge' 5 February 2024.

the ambitions for the new 2030 Strategy, which will require a number of transformation programmes, including a digital strategy, a focus on performance outcomes and improvements to resident access for requests, complaints, Freedom of Access (Fol) and Subject Access Requests (SARs).

6.3.4 Following the recommendations, an action plan was developed to ensure the council moved in a direction of continuous development and improvement. These recommendations were consolidated under three broad headings:-

- Strategic direction of the council
- Service specific recommendations
- Future southwark capacity and corporate infrastructure

Detailed work streams have been put in place, with strategic lead officers assigned responsibility for achieving key milestones within defined timescales.

6.3.5 Many of the recommendations related to work that was already underway. These were:-

- Three year medium term financial strategy (MTFS)
- Council Delivery Plan (CDP)
- Housing Repairs Improvement
- HRA recovery plan

### *Cyber security*

6.3.6 Attempted cyber-attacks are a significant and on-going risk for local government. The council has been subject to a recent cyber incident. The occurrence was isolated and only involved a minimal amount of non-sensitive data. Recognising the importance of our on-line security and that of our systems, the council is continually reviewing and improving its cyber protection measures to ensure the security and privacy of our community's digital environment against changing threats. All council staff are required to undertake mandatory cyber security training to ensure that staff are aware of the importance of this area and how attacks can happen. This proactive approach aims to reinforce our commitment to safeguarding against any future cyber challenges.



## Areas of significant change – looking forward to 2024-25 and the medium term

6.4 The council also faces a number of areas of significant change that will require consideration and action as appropriate in 2024-25 and the medium-term. Significant issues we have identified are summarised in Table 3 and discussed in paragraphs 6.4.1 -.

**Table 3: Looking forward to 2024-25 and the medium term**

Areas of Significant Change 2024-25	Action	Section and paragraph
Housing Revenue Account (HRA) – medium and long term sustainability	Agreed HRA recovery plan in the medium and long term	6.4.1-6.4.2
Elections	Planned resourcing of two elections	6.4.3
Medium term funding of local government	The council’s medium term financial strategy is set with prudent assumptions on future resources and updates reported regularly to cabinet	6.4.4-6.4.6
Statutory changes to Procurement	The council is preparing legislative changes in procurement	6.4.7-6.4.8
Replacement of the Enterprise Resource Planning (ERP) System	Replacement of ERP system has been well planned	6.4.9-4.6.11
Ongoing Improvements in governance	Series of strategies in the medium term	6.4.12



### *Housing Revenue Account (HRA) sustainability*

6.4.1 The 2023-24 outturn position was a gross overspend on tenant facing budgets of £31.3m which was partially offset by finance underspends, showing a final adverse variance of £16.4m. The council's Housing Revenue Account (HRA) remains under severe financial strain. It should be noted that the pressures on the HRA are not unique to Southwark. The impact of external factors noted in paragraph 6.2.2, although impacting on all councils responsible for social housing, has a more pronounced impact for Southwark, given the size of its social housing stock.

6.4.2 A clear suite of actions have been agreed through the 'HRA Recovery Plan' including a housing repairs improvement programme, an end to end review of void properties and the refresh of the asset management strategy. Governance arrangements have been strengthened through spending controls and a review of the department's scheme of management. Specific actions will be reported to cabinet in June 2024 and subject to regular and robust monitoring. In 2024-25 and in the long term, the HRA sustainability will continue to be a council strategic priority.

### *Elections*

6.4.3. There are two major elections scheduled for 2024-25 the Greater London Assembly which took place in May 2024 and a Parliamentary Election by January 2025. The increased levels of postal votes and the move to voter ID presents a risk within the democratic process. The council has planned and adequate resourcing of the election team, an experienced elections team and clear leadership in place.

### *Medium term funding of local government*

6.4.4 In the Spring Budget on 6 March 2024, the Chancellor, Jeremy Hunt, made few significant changes to public spending. The next spending review is due after the general election (scheduled to be before January 2025), which presents significant uncertainty to the future policy direction of a new parliament.

6.4.5. The IFS<sup>8</sup> suggests that for any incoming government the macroeconomic climate in the medium term will be challenging and the options for turning things round will be limited without greater than expected growth in national income per capita. Household income remains lower than in 2019, the tax burden the highest since 1948, and the prediction is that low growth coupled with high debt interest will create extremely difficult choices for the next parliament. The IFS predicts that real growth per person of 1% over all public services to 2028-29, translates to cuts to unprotected areas, such as local government, of up to 3.5% per year. With population estimates rising more than

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

expected, the pressure on public budgets per person might be even higher. The recent announcement of increasing defence spending will add additional pressure on public finances and suggests that unprotected areas such as local government could equate to cuts of 4% per year<sup>9</sup>.

6.4.6. Funding levels over the next 4 years is likely to be severely strained. The council's three year medium term financial plan 2024-25 to 2026-27 has taken these predictions into consideration and presents a prudent view of government funding levels. A report to cabinet in July 2024 will update the Medium Term Financial Plan for the period 2025-26 to 2027-28. The three year savings targets will be closely monitored and any emerging cost pressures (together with mitigating actions) will be dealt with in a timely and constructive manner.

### *Statutory Changes to Procurement*

6.4.7 The Procurement Act 2023, due to come into effect in late 2024, is set to be a significant change to the way local authorities procure goods, works and services as well as framework agreements and concessions contracts. Briefly, there will be tighter legislative controls and prescribed levels of required transparency across the whole procurement process including:

- The codification of the National Procurement Policy Statement (NPPS) which allows the government to set wider policy objectives to which it expects public procurement to contribute.
- Mandatory publishing of contract details including the performance of the contract through a set of Key Performance Indicators (KPIs) for larger contracts.

6.4.8. The procurement framework for Southwark will be reviewed in late 2024, taking account of the both the requirements of the new procurement regulations and the corporate vision - Southwark 2030. It will also carefully consider how to support local businesses, ensure the council delivers value for money to residents, within a clear and consistent governance framework. In addition, the council has established a work stream around the development of an organisation-wide social value policy covering both procurement and planning, which will be delivered and monitored through this renewed framework.

### *Enterprise Resource Planning (ERP) system*

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

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<sup>9</sup> [Empty defence spending promises are a shot in the dark | Institute for Fiscal Studies \(ifs.org.uk\)](https://www.ifs.org.uk/news/empty-defence-spending-promises-are-a-shot-in-the-dark)

will commence procurement in June 2024 subject to appropriate approval, and in line with sound governance arrangements with implementation expected to commence May 2025 and estimated to take approximately 2 years to implement.

6.4.10 The transformation programme has a strong governance structure in line with a programme of its size and complexity, including sponsorship by the Strategic Director of Finance and led by a programme director and delivered through four distinct work streams of

- HR
- Finance including Purchase to Pay
- Technology
- Procurement

6.4.11 The council has identified the major risks, issues and mitigations which affect the programme in the areas of procurement, data, culture change, costs and timescales.

#### *Ongoing improvements in Governance*

6.4.12 As discussed above, the council continues to commit to a shared long term vision of the future through Future Southwark and Southwark 2030. This vision embraces a one council approach with good governance embedded at each stage and in the actions and behaviours of council staff and members. In the medium term, the vision has been translated into a series of approaches to support this transformation process and good governance arrangements. These include:

- (i) A newly formed Corporate Change Board to oversee the Future Southwark Programme and cross council transformation activity. Integrated reporting on key council change programmes has been established to ensure that the organisation understands the synergies between programmes, is assured of delivery, develops connections and supports cross council collaboration.

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

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

- (ii) Reviewing progress of the council delivery plan (including lessons learned from current transformation activity) and performance monitoring systems to reshape the transformation activity whilst ensuring alignment with the emerging vision and ambition set out by Southwark 2030.
- (iii) Departments have refreshed their business plans to capture the key departmental priorities, with quarterly monitoring, through departmental management teams, of the most significant departmental KPIs (focused on strategic, operational, financial and workforce priorities). Risk registers and business continuity plans have also been updated.
- (iv) The council's responses to Freedom of Information and Subject Access Requests highlighted in the peer review, will be subject to an audit will be carried out in spring 2024 with an improvement plan implemented across all services. There will be additional regular reporting to the Corporate Management Team (CMT) to allow corporate oversight on all areas.
- (v) A review of the member code of conduct is underway with the full participation of all members. A working group has been established chaired by the Monitoring Officer and two workshops with members has taken place. The plan is to have a revised code of conduct by March 2025.
- (vi) Following a review of governance arrangements for Safeguarding undertaken by the Independent Chair of the Children's & Adults Safeguarding Partnerships, the arrangements for governance around the statutory community safety partnership have been refreshed and a new Partnership board launched on a par with the Children's and Adults Partnerships. This board will oversee compliance with the statutory duty across the partnership. Among other things that Board will play a key role in the Serious Violence Duty which came into force in January 2023 and will sign off a partnership strategy and strategic needs assessment of Domestic Abuse.
- (vii) An updated review of capital governance with the establishment of a new Capital Board, which will assess new capital projects in terms of priority and affordability

## Conclusion

8.1 The council has been hugely impacted by the macro-economic climate, high inflation and interest rates and the consequent ongoing cost of living crisis in 2023-24. This annual governance statement details how the council have responded to these external pressures as well as highlighting particular areas of risk. Additional assurances, transformation and improvement plans have proactively been put in place to ensure that Southwark council remains resilient and ensures robust governance arrangements are in place to meet future challenges and changes.

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**

**Chief Executive**  
**Date:**

**Kieron Williams**

**Leader of the Council**  
**Date:**

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