

## Annual Governance Statement

## APPENDIX 1

### ***Scope of responsibility***

1. Southwark Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Southwark Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which include arrangements for the management of risk.
3. Southwark Council has approved and adopted a revised Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.southwark.gov.uk](http://www.southwark.gov.uk). This statement explains how the council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6, which requires all relevant bodies to prepare an annual governance statement.

### ***The purpose of the governance framework***

4. The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and the activities through which it accounts to, engages with and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
5. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
6. The governance framework has been in place at Southwark Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

### ***The council's governance framework***

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.
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.

9. The overview and scrutiny committee and its sub-committees 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.
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. The vision is underpinned by five principles and guides ten promises, made to help achieve the vision.
11. 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 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 council 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.
12. 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.
13. The council plan is a key reference tool for [Fairer Future medium term financial strategy and integrated efficiency plan](#) (2017-18 to 2019-20) 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. At the broadest level, the council also works with a number of key strategic partners.
14. From the council 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.
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.

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.
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.
18. The council's financial management arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2010) as set out in the "Application Note to Delivering Good Governance in Local Government: Framework". 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.
19. The council's assurance arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Head of Internal Audit in Public Service Organisations" (2010). 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.
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) controls 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.
21. The audit, governance and standards committee is responsible for monitoring the effective development and operation of corporate governance in the council. It provides independent assurance of the adequacy of the council's governance arrangements, including the risk management framework and the associated control environment, the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, oversight of the financial reporting process and scrutiny of the treasury management strategy and policies.

### ***Review of effectiveness***

22. 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 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.

23. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:

- 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
- the work of the corporate and departmental contract review boards
- the work of the corporate governance panel
- an annual self assessment of the adequacy of the governance arrangements in departments completed by each strategic director
- the council's internal audit coverage, which is planned using a risk-based approach. The outcome from the internal audit coverage helps form the chief audit executive's opinion on the overall adequacy of the council's internal control framework, which is reported in his annual report
- the chief audit executive's annual report
- Ofsted's three yearly inspection of safeguarding and looked after children services
- external audit of the council's financial statements and the pension fund accounts
- the work of the audit, governance and standards committee, which reviews the outcomes from the annual audit plan and the annual report of the chief audit executive
- the work of the overview and scrutiny committee and its sub-committees
- review of the constitution by the constitutional steering panel, which recommends amendments, where appropriate, to the constitution for agreement by the council assembly
- work of the audit, governance and standards committee, which includes monitoring the operation of the members' code of conduct and the member and officer protocol
- statutory officers' reports, if applicable.

24. We have been advised on the implications of the result of the effectiveness of the governance framework by the audit, governance and standards committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

### ***Significant governance issues***

25. The review, as detailed above, provides good overall assurance of the effectiveness of the council's system of internal control. Specific opportunities for improvement in governance and internal controls identified as part of the assurance processes detailed above have been addressed or are included in action plans for the relevant managers.

26. The council faces a number of issues and areas of significant change that will require consideration and action as appropriate over the medium to long term:

- Management of children's and adults' social care budgets where the impact of price and demand pressures has led to calls on resources and necessitated action to control the situation via the budget recovery board.
- Spending pressures resulting from the loss of education support grant (ESG) and dedicated schools grant (DSG) funding will require strong financial management whilst maintaining service standards, e.g. special educational needs.
- The council is increasingly dependent on shared arrangements with health partners, in order to meet the growing demand for services in the context of reduced council funding. This will require appropriate strategies and planning by all parties.
- Funding of the capital programme, specifically in recognition of social regeneration and housing delivery aspirations and the scale of the council's housing stock.
- Management arrangements in respect of monitoring contractors and their use of sub-contractors.
- Management of pressures generated by changes in legislation (e.g. Housing and Planning Act 2016) especially insofar as they affect resources for housing.
- The council continues to experience pressures, as a consequence of changes in the rented and private residential housing market across London. There are overriding budget pressures within the social rented sector combined with unaffordable rent levels and, as a result, a significant impact on temporary accommodation costs. These pressures are anticipated to continue through 2017-18 and beyond and will continue to need close monitoring and management.
- As with temporary accommodation, the council is experiencing significant demand increases in respect of the no recourse to public funds (NRPF) budget. Although this has been mitigated by robust management action, the budget remains subject to significant pressure.
- Management of the transition to new operational arrangements for universal credit and of the potential impact on finance and client services.
- Uncertainty over any transition to a new local government finance system based on 100% business rate retention will require careful attention to government's developing policy, and management of any potential loss to the council from changes to existing funding streams.
- Managing new discretionary relief for business rates in the context of significant increases in rateable value (averaging 28%) for all businesses across the borough.

- The continuing need to improve services and enhance customer access to those services means that integration and optimisation of the use of data held and managed by council departments becomes increasingly important.
- The nature of the council's business activities means that there are ongoing information governance risks, including cyber security risks, which continue to require careful management, particularly in the context of a period of transition to new IT shared service arrangements.
- Implementation of the General Data Protection Regulations in May 2018 will require careful planning to ensure that the council can continue to meet statutory requirements.

27. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements, including the continual development of the council's risk management framework. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Southwark Council:

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Chief Executive

Leader of the Council

Date: .....

Date: .....