

Annual Governance Statement 2017-18

Introduction

The CIPFA/SoLACE Delivering Good Governance in Local Government Framework (2016) requires local authorities to publish an Annual Governance Statement and to be responsible for ensuring:

- that their business is conducted in accordance with all relevant laws and regulations;
- public money is safeguarded and properly accounted for; and
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

The CIPFA/Solace document sets out seven core principles that underpin the governance framework and these are set out in Table 1 below together with an overview of the council's own governance arrangements in Table 2.

Table 1 – Core Principles of the CIPFA/SoLACE Framework



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

Table 2 – Key Elements 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 Council 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 committees 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 ➤ All meetings are held in public ➤ 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 democracy 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. 	

Review of Effectiveness

The council uses a number of ways to review the effectiveness of governance arrangements, including:

- An annual self-assessment and management assurance statement signed by strategic directors, confirming that the Code of Conduct, Financial Regulations and other corporate governance processes have operated as intended within their directorates throughout the year
- The annual report of the Chief Audit Executive provides an opinion to members on the adequacy and effectiveness of the internal control system and on the adequacy and effectiveness of the council’s risk management, control and governance process
- 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

- The work of the audit, governance and standards committee which includes responsibility for monitoring the development and operation of corporate governance in the council

The review, as detailed above, provides good overall assurance 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 manager.

The council faces a number of issues and areas of significant change that will require consideration and action as appropriate in 2018-19 and medium-term:

- The increased dependency in funding on locally generated resources (e.g. council tax and business rates) as a proportion of total funding.
- Uncertainty over any transition to a new local government finance system based on business rate retention and a new funding formula will require careful attention to government's developing policy, and management of any potential loss to the council from changes to existing funding streams.
- The duration of the London devolution pilot beyond 2018-19 and the extent to which responsibilities may be transferred to the council.
- Children's and adults' social care budgets remain exposed to significant price and demand pressures and the council must remain alert to the possibility of provider failure.
- The dedicated schools grant is now in a deficit due to significant unfunded pressures on high needs. At the same time the number of schools going into deficit has increased due to reduced funding and falling rolls. This situation, which is common across many local authorities, will require close monitoring and, in partnership with schools, a strong focus on the development of a robust financial recovery strategy over the medium term.
- 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, especially the management of ring-fenced resources (e.g. the adult social care precept).
- 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 2018-19 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, which, despite robust management action, remains subject to significant pressure.
- Management of the transition to new operational arrangements for universal credit and of the potential impact of welfare reform on finance and client services.
- Funding of the capital programme, specifically in recognition of social regeneration and housing delivery aspirations and the scale of the council's housing stock.

- The council needs to remain vigilant and ensure business continuity plans are robust in the event of contractor failure.
- The continuing need to improve services and enhance customer access to those services means that integration, optimisation and security of the use of data held and managed by council departments becomes increasingly important. Implementation of the General Data Protection Regulation in May 2018 requires ongoing planning to ensure that the council can continue to meet statutory requirements.
- The nature of the council's business activities means that there are ongoing information governance risks, including cyber security risks and IT network security, which continue to require careful management, particularly in the context of new IT shared service arrangements.
- In the wake of Grenfell, the council needs particularly to ensure that the highest standards of health and safety advice, support and guidance are provided consistently across all services.
- The council has comprehensive and documented arrangements in place to ensure value for money from commissioning and procurement. It needs to continue to ensure that expected practice is followed in all instances.

Conclusion

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, including the continual development of the council's risk management framework.

Signed on behalf of Southwark Council:

Eleanor Kelly
Chief Executive
Date:

Peter John
Leader of the Council
Date:

Appendix 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, member and officer protocol. The monitoring officer and strategic director finance and governance have specific responsibilities to ensure that council decisions meet legal requirements

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 (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. 3,000 people took part in the 'Southwark conversation', the results of which will be used to inform the council plan and priorities.

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 council plan sets out how we will deliver the Fairer Futures vision and this is underpinned by departmental, service and business unit plans. During the year the council has refreshed its risk management policy statement and strategy to support the sustainability of the environment and minimise negative impacts, agreed an improved Air Quality Strategy and action plan

Priority 4 – Determining the intervention necessary to achieve intended outcomes

The council tracks performance against the fairer futures promises and council plan themes in the council 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 futures 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

During the year the council's risk management policy statement and strategy were refreshed. 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, register of interests, gifts and hospitality and all items of expenditure over £500 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.