

Appendix 1

Annual Governance Statement 2019-20

Introduction and acknowledgement of responsibility

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.

The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, 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

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

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 has been reviewed by the council's corporate governance panel (CGP) in April 2020. The governance framework incorporated into this AGS has been in place at Southwark Council for the year ended 31 March 2020 and up to the date of the approval for the statement of accounts.

Table 2 – Overview of the council's governance framework

<p>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>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>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>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>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.	

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'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.

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.

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 links through eight themes to the council plan which help to achieve the vision.

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.

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.

The Council Plan is a key reference tool for the 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. A new Council Plan for the period to 2022 was approved by council assembly in November 2018. At the broadest level, the council also works with a number of key strategic partners.

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.

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.

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.

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.

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.

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.

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.

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

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.

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.

The key elements of the review of effectiveness are:

- 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
- 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
- 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

Assurance statement

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.

From March 2020, the council has been impacted by the coronavirus pandemic, issues of assurance are raised in the 'Governance issues' section and have been highlighted in the 'Areas of Significant Change' section. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have changed the accounting timetable, extending the deadline for the draft account to 31 August 2020 and the final audited accounts to 30 November 2020. However, the council intends to maintain the previous timetable of 31 May 2020 and 31 July 2020 respectively.

Governance issues

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.

For example, ensuring that the actions in the project plan relating to service delivery and performance monitoring for the transition of the housing maintenance service (SBS) have been implemented, and as noted previously, a new Fairer Future Procurement Framework was developed, which was approved by cabinet in June 2019 and an audit report in September 2019 provided assurance over the council's compliance with the framework

There has been a significant impact on council services of the coronavirus pandemic from March 2020. The council activated its Borough Emergency Control Centre and council Gold and Silver emergency management protocols to coordinate a response to ensure that resources were prioritised to those most in need.

And despite the challenges, the council has maintained consistent essential services for residents, whilst adapting to provide alternative virtual services wherever possible. The council's strong collaborative approach has been effective at achieving a unified response, working with key partners in the NHS, police and voluntary and community sectors. The response to the crisis has 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.

Focus will be placed on the following significant governance issues during 2020-21:

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 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 continues to be of paramount importance. The continuous service improvement plan has identified six themes of work to improve service delivery which will continue to be monitored in 2020-21.
2. The council approved changes to the Fairer Future Procurement Framework in June 2019, which has provided guidance to contractors and external organisations. This guidance has embedded the council's core values and will assist in delivering value for money in the procurement process and enable supporting a sustainable local economy, while ensuring openness, transparency and good governance. A further report is scheduled for December 2020 to consider the impact of this framework on service quality improvements as a result of the Fairer Future Procurement Framework.

3. The implementation of the council's climate change strategy, to allow the council to adapt to the impact of climate change.
4. The overriding scale, complexity and challenge of the council's regeneration programme demands management rigour in ensuring continuous, strong and effective governance.
5. Continued management rigour in ensuring strong and effective governance of the council's ambitious housing delivery programmes.

Areas of significant change

The council also faces a number of areas of significant change that will require consideration and action as appropriate in 2020-21 and the medium-term. Significant issues identified include:

Impact of Coronavirus pandemic on council services

- The council is adhering and responding at pace to government guidance in response to the pandemic. Priorities have necessarily been changed to focus on the need to distribute emergency funding to vulnerable residents and to support essential services. Business as usual has changed to accommodate this but key processes and functions have been maintained. An ongoing assessment of the impact of the coronavirus pandemic on council services and council systems will be needed to ensure good governance.
- The council plan 2018-22 and medium term resources strategy will be updated in the light of the impact of the pandemic.
- Current analysis suggests that the resources announced so far from central government do not cover the full costs of the pandemic. The council needs to ensure that the additional spending and loss of income (particularly from council tax and business rates) are fully recovered from central government. The council is maintaining a log of all spending commitments and income losses relating to the pandemic to enable full accountability. A full review of the impact of the coronavirus will be ongoing in 2020-21.
- There are early indications that there will be financial stress on major service contracts such as leisure and construction, a fall in commercial property income and a delay to capital programme works that will need to be assessed in the medium and longer term.
- The Coronavirus Act (2020) allows authorities to conduct meetings and take decisions in ways other than face to face so that decisions can still be made to maintain good governance, principles of openness and accountability. The council has adapted its approach by assessing which decisions can be delayed and re-scheduled and which decisions need to be made at pace to deal with the pandemic. Virtual meetings have now been instigated to ensure transparency and good governance prevails and allows access to the public and press.
- Demands on IT systems and staff will be considerable as most office based staff will continue to work remotely and emergency deployment will remain in place

Other significant risks

- A highlighted risk last year was the continued financial uncertainty regarding government funding of local government beyond 2020-21. This has since been over-ridden by the financial challenge of funding the effects of the coronavirus pandemic. The government have delayed the review of relative needs and resource and the 75% business rates retention will no longer be implemented in 2021-22 to allow councils to focus on meeting the immediate public health challenge posed by the pandemic. However there is still a risk due to the uncertainty of the government funding of local government which creates a challenge in terms of budget setting and medium term financial planning.
- There is a high level of uncertainty about the implications of Britain leaving the European Union. The government have not delayed the Brexit deadline of 31 December 2020, but the current priorities have changed in response to the pandemic and there is some doubt as to whether the deadline can be met or whether an extension will be necessary. Again, there are a number of possible scenarios for how and when the country will depart (a Brexit Risk reserve has been created).
- The Dedicated Schools Grant (DSG) has a £18.5m deficit due to significant unfunded pressures on high needs. The government announced increases in high needs funding this year, which will add £4.3m to the council's DSG for high needs and ease the in year deficit for 2020-21 but it is expected that there will still be a cumulative deficit by March 2021. At the same time the number of schools going into deficit has increased due to reduced funding and falling rolls. This situation will require close monitoring together with a review of the impact of the coronavirus pandemic on schools spending in 2020.
- The increasing need for and cost of demand led services such as social care, social housing, temporary accommodation and no recourse to public funds creates significant pressures on budgets. These pressures are anticipated to continue through 2020-21 and beyond and will continue to need close monitoring and robust management action.
- 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.
- Management of the transition to new operational arrangements for universal credit and of the potential impact of welfare reform on finance and client services which may increase demand for other council services and consequentially may add to unfunded pressures.
- Funding of the capital programme, specifically in recognition of social regeneration and housing delivery aspirations and the scale of the council's housing stock.

Conclusion

The council has been hugely impacted by the coronavirus pandemic. Governance arrangements have been tested but have found to be robust in 2019-20, whilst recognising that the pandemic will bring substantial risks to the council in 2020-21. There will be an ongoing review of the financial impact as well as the impact on procedures and processes relating to the emergency.

The council is satisfied that appropriate governance arrangements are in place and that the council plan and medium term strategy will continue to be updated to adapt to the new situation. 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:

Eleanor Kelly
Chief Executive
Date: July 2020

Peter John
Leader of the Council
Date: July 2020

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, 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 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 council 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 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 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, 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.