

## Appendix 1

# Annual Governance Statement 2020-21

### 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 updated and reviewed by the council's corporate governance panel (CGP) in April 2020 and reported to the audit, governance and standards committee in June 2020. The CIPFA Financial Management Code 2019 (FM Code) was introduced during 2020-21, to improve the financial resilience of organisations by embedding enhanced standards of financial management. Although the implementation of the FM Code is mandatory only from 2021-22, the council has assessed compliance with the Code in 2020-21, to ensure that financial outcomes are sustainable.

The governance framework incorporated into this AGS has been in place at Southwark Council for the year ended 31 March 2021 and up to the date of the approval for the statement of accounts.

**Table 2 – Overview of the council's governance framework**

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

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. A new council leader, Councillor Kieron Williams was appointed in September 2020.

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

The Borough Plan is a key reference tool for the Fairer Future medium term financial strategy and integrated efficiency plan 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 Borough Plan for the period to 2022 was approved by council assembly in November 2020.

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

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, the council's risk management and governance process. Due to the Covid-19 pandemic, audits that were delayed at the start of 2020-21 were rescheduled so that the plan could be rolled forward to the first quarter of 2021-22.
- The overall assurance was 'moderate' which denotes that the overall audit work conducted significantly meets expectations and provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review.
- The annual report of the chief audit executive made reference to the changes that have occurred in practice in 2020-21, due to the impact of the Covid-19 pandemic. For example, audit work was paused until August to allow the council to prioritise the response to the pandemic; from September audit work resumed with a focus on key risk areas and 'self contained' audits which sought to minimise further demand on council officers. Meetings moved from face to face meetings and consultation to virtual meetings
- 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. In 2020-21, three committee meetings included an agenda item 'Governance conversation' where Chief

Officers gave an overview of particular governance issues allowing for an open and transparent discussion on the governance arrangements within the council.

- The review of compliance with the CIPFA Financial Management (FM) Code 2020-21. The purpose of the [new] code is to provide a strong foundation to manage financial resilience, to meet unforeseen demands on services and to manage unexpected shocks in financial circumstances. Although implementation in 2020-21 was not compulsory, the impact of the Covid-19 pandemic provided an example of an unexpected financial shock that provided a critical test of the financial resilience of the council.
- The council reviewed sustainability against the CIPFA financial resilience index over 2 years scoring as 'low risk' on the reserve sustainability measure and 'extremely low risk' regarding the change in reserves year on year.

## **Assurance statement**

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.

## **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.

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

1. The council's Fairer Future Procurement Framework was refreshed to bring together commitments made in the Borough Plan, Southwark Stands Together and the Economic Renewal Plan and also included updates in respect of Equality, Diversity and Inclusion in the council's procurement processes.
2. 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. Monitoring of the continuous service improvement plan continued throughout 2020-21
3. The commitment to ensure Southwark is carbon neutral by 2030. The council continues to invest substantial resources in projects that contribute to this key priority, including the

commitment to build energy efficient new homes, to provide efficient heating systems in council homes, to plant trees and to improve air quality.

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

5. The funding of local government after years of austerity and the uncertainty around future funding due to a lack of a multi year settlement continue to subject the council to considerable risk.

Specifically highlighted in the 2019-20 Annual Governance Statement was the impact on council services of the Covid-19 pandemic. This continued to be a significant risk throughout 2020-21. Although 'business as usual' had to change, key governance processes and functions have been maintained and have been found to be robust during the unprecedented shock of the Covid-19 pandemic.

#### *Impact of the Covid-19 pandemic in 2020-21*

6. Since the start of the pandemic in March 2020, the council has operated with some level of emergency response arrangements, in line with the principles laid out in the generic emergency plan, to provide an effective structure to coordinate and support the delivery of our critical services both during the initial outbreak and into the more recent phases of response. These arrangements have been scaled up or down relative to the level of local infection, response and impact of Covid on the borough. As a minimum this has included:

- A gold/silver situation update meeting weekly, chaired by the Director of Response and Renewal (Covid Gold) and involving the Director of Public Health (DPH), communications, emergency planning, human resources and key enabling services;
- A weekly Chief Officer Team (COT) response update;
- Fortnightly Covid briefing meeting with cabinet members and Covid gold/silver, chaired by the Leader;
- Twice weekly 'start up' meetings with the Leader and Covid gold/silver;
- Monthly meetings with Trade Union (TU) representatives, Covid gold/silver and the Head of Human Resources.

7. In addition, directors have met monthly to report on issues by exception and service heads have tracked service status on a weekly basis, reporting any issues by exception for onward reporting to the COT, the Leader, cabinet and TU colleagues. Throughout, the council's normal governance and decision making process have applied. Further, the specific public health response to the Covid pandemic has been managed through the outbreak prevention and control executive (OPCE), chaired by the Director of Public Health, which meets fortnightly. OPCE reports through to the Health and Wellbeing Board (HWBB). This group involves cross-council teams and the Clinical Commissioning Group (CCG)/ health representation and covers issues by exception such as enforcement, vaccination, local testing. To co-ordinate the vaccine roll out, the CCG have set up governance arrangements reporting to and through the HWBB.

8. Priorities during 2020-21 changed with the council focussing on the need to distribute emergency funding to vulnerable residents, support local businesses and communities as well as maintaining essential services. The council set up the 'community hub' in response to the pandemic

and provided support from the Southwark emergency support scheme. These schemes have provided social and welfare support and access to essential food and other supplies to 22,000 of the most vulnerable households in 2020-21.

9. The COVID-19 pandemic exacerbated the financial challenges of declining central government resources coupled with significant extra demand for services. In the financial year 2020-21 the government provided additional support for the additional costs and income losses resulting from the impact of the pandemic. The council maintained a log of all spending commitments and income losses to enable full accountability and reported this financial impact monthly to the Ministry of Housing, Communities and Local Government (MHCLG). The audit, standards and governance committee received reports at all meetings in 2020-21, reviewing these returns and monitoring the impact on council finances against central government grants.

10. The borough plan was updated (2020-2022) and approved at council assembly on 25 November 2020 to accommodate changes brought about due to the Covid-19 pandemic. The refreshed council plan has sought to prioritise public health, rebuild the local economy and tackle inequalities and deliver on the rising demand for essential council services whilst recognising the need to maintain an adequate level of reserves and balances to protect against future funding uncertainty.

11. The pandemic and the resultant imposition of lockdowns have had a fundamental impact on the operation and financial performance of the council's leisure facilities. Income has reduced and financial support has been required to keep facilities open. The council has prioritised the health and wellbeing of Southwark residents and incorporated revised expenditure and income budgets into the 2021-22 council budget.

12. There was an adverse impact on the delivery of the 2020-21 capital programme due to the impact of the pandemic. The council has reviewed the entirety of the capital programme, to consider those projects which are to be prioritised and those areas where adjustments to timescales are required. In addition, the council renewed the asset management plan in January 2021 which reset the policy framework to align with the council's strategic corporate priorities reflecting the impact of the Covid-19 pandemic as well as the recovery from it.

But despite all these challenges and adaptations in 2020-21, 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 continued to be effective at achieving a unified response, working with key partners in the NHS, police and voluntary and community sectors. In fact, 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.

## Areas of significant change

The council also faces a number of areas of significant change that will require consideration and action as appropriate in 2021-22 and the medium-term. Significant issues identified include:

### *Impact of Coronavirus pandemic on council services 2021-22*

To reflect the easing of restrictions, as per the government's roadmap, Covid council wide emergency response arrangements and associated meetings will cease from 1 June 2021. But the council has reserved the right to stand up emergency response arrangements in relation to Covid, in line with the principles of the generic emergency plan. In response to any developing situation, the Director of Public Health (DPH) will decide if the frequency of the OPCE meetings needs to be increased and will provide briefings to the Chief Officer Team (COT). Based on advice from the DPH, COT will determine if it is required stand up the gold level strategic group and/or the tactical silver level group. Decisions on the organisational response will be based on national guidance and local circumstances. Strategic directors will be responsible for reviewing their own departmental positions and to implement any revised working arrangements. Again, all decisions will be made in line with the Council's normal governance and decision making processes.

The Coronavirus Act (2020) allowed authorities to conduct meetings and take decisions in ways other than face to face so that decisions could be made to maintain good governance, principles of openness and accountability. Virtual meetings were instigated to ensure transparency and good governance whilst also facilitating extensive access to the public and press. Despite councils wishing to continue these in 2021-22, emergency legislation is not to be extended beyond 7 May 2021. As restrictions will not have been fully lifted at this date, the council will have to plan carefully for how to hold meetings in person.

Additional demands were made on IT systems and staff with most office based staff continuing to work remotely throughout 2020-21. Changes to ways of working will need careful management as lockdown continues to ease in 2021-22.

For 2021-22, there will be a focus on ensuring that audit work not completed in 2020-21 due to the Covid-19 pandemic is prioritised, where this is still appropriate. However, the overall plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks are reviewed over a three to five year audit cycle. The impact of the pandemic was routinely considered throughout the year. There will be a review of the control framework, compliance, policies and procedures, operating in 2020-21, to see what impact the changes necessitated during the pandemic had on both risk and efficiency. Audit work will also focus on the recovery processes and review those areas, such as the distribution of Covid-19 grants, where risks have unavoidably increased.

The council will receive £11 million to support the ongoing financial impact of the pandemic. This was to support the extra costs that are expected between April and June 2021. But there is uncertainty as to whether this is sufficient to support residents and businesses and whether the financial impact of the pandemic beyond June will attract further government funding. The council will continue to submit returns to the MHCLG and to report regularly to the audit, standards and governance committee as to the expected ongoing impact of the pandemic and the route and length of recovery.

A report by Grant Thornton (GT)<sup>1</sup> has suggested that the those councils who committed to maintaining adequate reserves despite a period of grant reduction, *'have not only continued to provide strong services but have also put themselves in a position to ride out the current pandemic storm'*. The report further notes that the lessons to be learnt, include councils' compliance to the CIPFA<sup>2</sup> Financial Management (FM) code, which places the financial resilience of councils as the ability to maintain sound reserves, which in turn translates to sound financial governance. For those councils that had insufficient and declining reserves at the start of the pandemic, the pandemic exposed the instability caused by an era of reduced government grants.

The review of the compliance with the FM code in Southwark included reviewing financial sustainability against the CIPFA<sup>3</sup> Financial Resilience Index over the previous two years. The council scored as 'low risk' on the reserve sustainability measure and 'extremely low risk' regarding the change in reserves year on year. The council will continue to review compliance with the FM code and set a path of continuous improvement in place, including placing the importance of a robust Medium Term Financial Strategy (MTFS) as a key element in sustainability and coordinating the review of balance sheet management. From these reviews the council has recognised the need to maintain higher levels of reserves if additional and significant revenue pressures emerge. The use of General Reserves, the Financial Risk Reserve, the Business Rate Retention Risk and other reserves all form part of the mitigation strategy against future financial risks.

For 2021-22 the Grant Thornton report highlighted further risks posed from the COVID-19 pandemic for local economies, such as the future of the high street and increased demand pressures including for example, unemployment and care services linked to mental health. The post pandemic landscape though not yet fully understood will continue to test financial governance arrangements and risk mitigation strategies. At an operational level, the report suggests that the common early indicators of future governance failings include a lack of strategic alignment between financial, operational and political agendas, linked to a lack of corporate ownership of the medium-term financial plan and savings commitments.

To support this alignment in Southwark, council members work collegiately when making strategic decisions that have long term implications. Budgets set are realistic and subject to intense budget challenge from council members. The council budget for 2021-22 has been based on robust and realistic assumptions. However, the uncertainties of the economic environment, the fact we are awaiting a multi-year settlement, the scale of the expenditure reductions faced over the last decade and the growing demands on services, mean that there are still significant risks facing the authority. To mitigate this risk, the budget challenge process will start earlier in 2020-21 to ensure that there is time to consider options to manage future service and funding risks.

Southwark Stands Together (SST) affirms our commitment and pledge as a council to tackle inequality in our workforce and communities and has therefore been embedded into our practices to ensure that equality, diversity and inclusion (EDI) is treated as a business critical issue. Our

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<sup>1</sup> Grant Thornton 'Lessons from recent Public Interest reports' (2021)

<sup>2</sup> CIPFA 'Financial Management Code' (2019)

<sup>3</sup> CIPFA 'Financial resilience Index' (2019, 2020)

leaders have a responsibility to engage with our workforce to adopt a positive action approach to achieve sustainable improvements in the EDI space. The pandemic has highlighted the increased risk to many of our vulnerable employees who may be more likely to suffer from adverse impacts should they contract the virus. We continue to work with our public health colleagues to increase awareness and take up of the vaccine particularly in hesitant communities where take up is low.

The council has put measures in place to identify potential risks by putting individual risk assessments in place to safeguard our most vulnerable employee in the workplace which will in turn add increased protection in our communities. Much of the risk in this area is being managed via the monitoring of individual risk assessments to make sure we have appropriate staffing levels to deliver services to residents. This has been successful so far and we continue to provide our leaders and managers with interventions and support to maintain the health and well-being of our workforce.

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

#### *Other governance risks for 2021-22*

Despite the promise of additional funding for local government in 2021-22, no new money was made available. Instead, and as expected, the council had to use the flexibility offered by the government to support adult social care through a precept equivalent to 3%, (on the basis that these additional funds will be used exclusively for adult social care) and to set a 1.99% increase in council tax for 2021-22 to protect vital frontline services. And there remains continued financial uncertainty regarding government funding of local government beyond 2021-22, as a result of the lack of a multi-year settlement, and potential changes to the way local government is funded, as well as wider economic uncertainty due to the pace of the economic recovery after the Covid-19 pandemic and the impact of Brexit.

The corporate risk register has been updated to include the risk of slow economic recovery in the post pandemic era as government support is reduced or withdrawn results in high levels of unemployment and other societal fragmentation leading to increased demand for council services such as social care, welfare support and housing resulting in potential for conflicting demands on funding available. The council will continue to monitor the impacts on council services and local economy to support the post pandemic recovery. There will continue to be pan London engagement to communicate with government and other agencies and a focus on the economic renewal plan to ensure a fair and balanced community recovery with the ability to react to wider economic and socio-economic trends, including recession, unemployment and the potential impact on homelessness.

The increasing need for and cost of demand led services such as social care, social housing, temporary accommodation, welfare support and no recourse to public funds creates significant pressures on budgets. Budget commitments to fund these pressures to ensure service sustainability

amounts to £16.8m in 2021-22. Areas of demand pressures will continue to be closely monitored in 2021-22.

The Dedicated Schools Grant (DSG) has a £21m deficit due to significant unfunded pressures on high needs at the end of 2020-21. The government announced increases in high needs funding for 2021-22 which will assist in year pressures but will not resolve the accumulated deficit. This situation will require close monitoring together with a review of the impact of the coronavirus pandemic on schools spending in 2021-22.

The pandemic saw a temporary increase in universal credit, which is set to finish in September 2021. If there is no managed or gradual transition to the lower rates of universal credit, post pandemic, this will create direct and indirect financial pressures on the council through increased demand for all services to those affected by the changes and council tax collection and rent payments may worsen.

The Southwark housing strategy has been updated to reflect changes to the borough plan and the New Southwark plan, plans for regeneration and plans to deliver 11,000 new council homes by 2043; with all new homes to be carbon zero. It is a long term strategy where additional funding will be required and the council will seek to work with partners and lobby central government to bring in this additional funding in the long term.

The Climate Emergency is a major focus for the council, working in partnership with stakeholders, partners, staff and residents to tackle the effects of global warming. The Council has published a Climate Emergency strategy setting out how the council will become carbon neutral by 2030.

## Conclusion

The council has been hugely impacted by the Covid-19 pandemic. Governance arrangements have been tested but have found to be robust and resilient in 2020-21, whilst recognising that the pandemic will continue to bring substantial risks to the council in 2021-22. 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. 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:**

**Kieron Williams**  
**Leader of the Council**  
**Date:**

## Annex 1 – The CIPFA/SoLACE framework

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

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

### **Priority 2 – Ensuring openness and comprehensive stakeholder engagement**

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

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

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

### **Priority 4 – Determining the intervention necessary to achieve intended outcomes**

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

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

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

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

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

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

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