

## **Annual Governance Statement**

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

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.

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.

Southwark Council has approved and adopted a 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 regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

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

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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 of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Southwark Council for the year ended 31 March 2010 and up to the date of approval of the statement of accounts. In May 2010, a new, majority administration took control of the Council. The Council's Executive has been renamed the Cabinet.

## ***The Council's governance framework***

The following section describes the key elements of the systems and processes that comprise the Council's governance arrangements.

### **Arrangements for identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users**

The Council plays a leading role in the Southwark Alliance, the local strategic partnership, and has developed, together with our partners, a Sustainable Community Strategy for the borough, "Southwark 2016", which sets out the Council's and the partnership's vision for securing the future well being of local people. Southwark 2016 takes account of trends emerging in the borough and in London more generally, and follows on from an extensive consultation that involved local service providers and the wider community.

The Strategy outlines three inter-related objectives:

1. Improving individual life chances
2. Making the borough a better place for people
3. Delivering quality public services.

In turn, each objective contains a range of priorities for action.

The Council's Corporate Plan identifies how the Council will deliver against these three overarching objectives of people, place and services and sets out the framework within which the Policy and Resources Strategy aligns the business and budget planning process and enables members to support, fund and deliver their medium term objectives by matching resources to priorities.

The Community Strategy and Corporate Plan are published on the Council's website and copies are available at key access points in the borough (e.g. libraries).

### **Arrangements for reviewing the Council's vision and its implications for the Council's governance arrangements**

The Council's vision is developed and regularly updated by the Cabinet, based upon the political priorities of the administration, changing statutory requirements, the evolving social and economic context, new needs analyses and the performance of the Council against its priorities.

The Corporate Governance Panel continually reviews the Council's governance arrangements in light of the changing needs of the borough and changes in legislation. The Constitutional Steering Panel, which consists of each of the party whips, reviews any proposed changes to the Constitution before they are proposed to Council Assembly for approval.

### **Arrangements for measuring the quality of services for users, ensuring they are delivered in accordance with the Council's objectives and ensuring that they represent the best use of resources**

The business and performance of the Council is monitored at all levels on a regular basis. The performance management framework is focused on the aims of promoting an environment for continuous improvement and keeping a focus on what matters locally.

The performance management framework is based on a hierarchy of indicators and measures. The Corporate Plan includes strategic project milestones and performance indicators and measures, ensuring strategic oversight of performance against shared corporate priorities. Departmental business and project plans contain more specific, detailed measures and indicators which in turn are translated through to service, team and individual work plans.

The business and performance of the Council is formally monitored and reported twice yearly at meetings of the Cabinet, supported by the Corporate Management Team. At a departmental level, departmental business plans form the basis of performance monitoring. This ensures that performance, budget, risk and project delivery issues are all covered. Departmental level performance is monitored at senior management team meetings, and there are regular meetings between the strategic director and relevant Cabinet member. In addition, meetings take place between the Leader and each portfolio holder on a regular basis to discuss performance issues within that portfolio.

The Council's strategic approach to efficiency ensures the economical, effective and efficient use of resources. The Medium Term Resources Strategy provides the holistic resource framework to ensure that Southwark has robust medium term business and budget plans in which to deliver priority outcomes. This approach recognises efficiency as a shared responsibility that is integral to the Council's Policy and Resources Strategy.

The Corporate Management Team has responsibility for identifying significant opportunities for efficiency gains and approving and implementing an efficiency programme.

The Cabinet member for finance and resources has portfolio responsibility for the efficiency programme and the Finance Director is the lead officer.

### **Arrangements for defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**

The Council's constitution sets out how the Council operates. It states what powers are delegated to the Cabinet and what matters are reserved for collective decision of the whole Council. This is updated annually through a review of the constitution.

All elected members meet together at Council Assembly to determine the budget and policy framework of the Council. The Cabinet is responsible for overseeing the executive functions of the Council and can only make decisions which are within the budget and policy framework. Both Council Assembly and Cabinet meetings are normally open to the public, unless matters are discussed which must be kept confidential for a specific reason.

The Council allows individual Cabinet decision making, whereby certain decisions are taken by an individual member of the Cabinet, rather than by the Cabinet as a whole. The benefits are that decision making is speeded up, the size of agendas of the full Cabinet is reduced, and greater responsibility can be taken by individual members for their areas. The Leader of the Council determines the extent of any delegations to individual Cabinet members.

The Council has established eight community councils, which have a defined range of devolved decision-making powers and also act as a focal point for discussion and consultation on matters that affect different localities within the borough. There is also an Overview & Scrutiny Committee and five sub-committees that support the work of the Cabinet and the Council as a whole, through scrutinising decisions made by the Cabinet, examining services provided by the Council and its partners and reviewing the Council's budget and policies. They allow citizens to have a greater say in Council matters by holding inquiries into matters of local concern in public.

The Constitution describes the roles of the statutory officers: the Chief Executive (Head of Paid Service), the Strategic Director of Communities, Law & Governance (Monitoring Officer) and the Finance Director (Section 151 Officer).

The main policy documents of the Council as set out in the policy and budget framework are presented by the Cabinet for approval by Council Assembly. Action to facilitate the implementation of policies is generally delegated to strategic directors and delegated further in line with departmental schemes of management and the Scheme of Delegation for Financial Authority and Accountability.

There is robust corporate and departmental support to members in policy and decision making, with a reporting framework that helps ensure that members are presented with the appropriate information to make decisions, including the key issues for consideration, a community impact statement, and advice on financial and legal implications. All member level decisions are made on the basis of reports and are formally recorded.

### **Arrangements for developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

Standards of conduct and personal behaviour expected of members and staff, and the working relationship between members and staff are defined and communicated through codes of conduct and the Member and Officer Protocol. These policies are communicated to members and staff through the Council's intranet and as part of induction training. In addition, the Council has an Equality and Diversity Policy, which is backed up by a programme of learning and development. Other examples of ethical governance can be found in the Communications Protocol, Contract Standing Orders, Corporate Anti-fraud Strategy and Whistleblowing Policy.

The Council also maintains an effective Standards Committee, consisting of councillors and independent members, one of whom is the chair. Its role is to promote high standards of conduct including advising on any revision of the members' code of conduct, monitoring its operation and granting dispensations. It considers reports and advice from the Monitoring Officer on unlawful expenditure, probity issues, and issues raised under the Whistleblowing Policy. Sub-committees are also established to hear complaints against councillors under the local filter procedure.

Both councillors and senior officers are subject to making declarations of interests and registering of gifts and hospitality.

**Arrangements for reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks**

The Council operates a Corporate Governance Panel led by the Deputy Chief Executive, Finance Director and Monitoring Officer. This group continually reviews the Council's overall governance arrangements, including the Constitution (which incorporates Financial Standing Orders and Contract Standing Orders). Formal members' review is carried out by the Constitutional Steering Panel, which receives reports from the Corporate Governance Panel. The Constitution is updated annually.

Decisions on spending, within the budget approved by the Council, are devolved to strategic directors through the Scheme of Delegation for Financial Authority and Accountability, which is issued by the Finance Director each year and signed by each strategic director. Strategic directors further devolve decision making to divisional service managers and business unit managers through departmental schemes of management, which are updated on an ongoing basis. Detailed procedures and guidance for managers and staff are contained in the business managers' handbook, on the Council's intranet. There is also a programme of finance training for staff and managers.

The Council's Risk Management Strategy explains how the Council will manage its risks, and is supported by training and guidance.

The Cabinet member for finance and resources is named in the constitution as being responsible for risk management. All departments have departmental risk champions and the Finance Director is the corporate risk champion. All departments, divisions and business units have risk registers and all risks are allocated an owner.

Guidance notes for decision making reports require consideration of risk in terms of current and potential risks over the medium term, and how they will be managed and mitigated.

**Arrangements for ensuring 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)***

The Council's financial arrangements fully conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government.

The Finance Director is a key member of the Corporate Management Team, helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest. He is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and in alignment with the Council's financial strategy; and leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

The Finance Director is a member of the Chartered Institute of Public Finance and Accountancy. He is responsible for the proper management of the finance function in the Council and leads a fully resourced and suitably qualified finance department.

**Arrangements for undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities***

The Audit and Governance Committee is now embedded as part of the Council's overall governance framework. It is responsible for monitoring the effective development and operation of corporate governance in the Council. It meets five times a year and 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, and provides oversight of the financial reporting process.

**Arrangements for ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

Strategic directors are primarily responsible for compliance with established policies and the Council's own procedures, breach of which could give rise to legal challenge and loss, within their service area. They are required to set up procedures to ensure compliance, taking advice as appropriate. These procedures are reviewed by internal audit and some areas are subject to external inspection.

Responsibility for ensuring compliance with any new procedures introduced rests with the relevant strategic director, who therefore provides appropriate training and information. This is delivered jointly with representatives of the Monitoring Officer where the new policy, procedures, rules and regulations reflect new legislation.

The Monitoring Officer is responsible for certain statutory functions such as acting to maintain legal standards and for the Council's Whistleblowing Policy. She is also responsible for ensuring that decisions made are lawful and fair. The Finance Director is responsible for ensuring that the administration of the Council's financial affairs is in compliance with statutory obligations and with all relevant professional codes of practice and for ensuring that decisions made are lawful and financially prudent. Either officer must make a report to Council Assembly or the Cabinet, as appropriate, if they consider that any proposal, decision or course of action is unlawful, would give rise to maladministration, would involve incurring unlawful expenditure or would be likely to cause a loss or deficiency.

Individual responsibilities for compliance are embodied in the performance management scheme.

**Arrangements for whistleblowing and receiving and investigating complaints from the public**

The Council's Whistleblowing Policy encourages members, staff, contractors and agents to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment. The policy and procedures are published on the Council's website and intranet and provide avenues to raise concerns and receive appropriate feedback. They ensure that whistleblowers receive a response to their concerns, and provide reassurance that

they will be protected from any reprisals or victimisation by the Council, if they made the disclosure in an appropriate manner and in good faith. All concerns raised under the Whistleblowing Policy are recorded by the Monitoring Officer. The Whistleblowing Policy and procedures are regularly reviewed and updated.

The Council has a Corporate Complaints Policy which is in line with Ombudsman guidelines and good practice and is available on the Council's website. The Deputy Chief Executive is the lead officer for complaints across the Council and each department has a departmental complaints champion.

A training programme for dealing with complaints is provided by the Council's Organisational Development unit and the Council's corporate induction programme includes an item on complaints. Guidance is also available on the Council's intranet.

A quarterly monitoring report is produced on all aspects of complaints, including the outcomes of complaint investigations, and information from this report contributes to the regular performance information provided to the Corporate Management Team.

### **Arrangements for identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

The Council has achieved Investors in People Bronze accreditation and is committed to developing the capacity of its staff and members. The performance management process helps to identify learning and development needs, which are translated into personal development plans for staff. All members are also offered development opportunities, in line with their own personal development plans.

A complete programme of learning and development is available to officers and members from the Organisational Development unit of the Council. Senior officers are also expected to keep abreast of developments in their profession.

### **Arrangements for establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

The Council consults with stakeholders in all areas of its business. Different forums and frameworks exist for consultation on different policies and service areas. For example, consultation on the Council's Sustainable Community Strategy takes place through the framework of the Southwark Alliance and consultation on housing strategies takes place through Tenants' and Leaseholders' Councils. Bespoke programmes of consultation are undertaken on specific projects and the development of new policies and strategies. Trades unions are consulted on issues which affect Council staff. Consultation on policies, strategies and plans also takes place on an area basis through Community Councils.

All meeting agendas and reports for consideration by members are published on the Council's website in advance of meetings, which are held in public unless there are specific reasons for confidentiality.

The Corporate Plan, Community Strategy, budget book, annual financial statements and the Annual Report are made available via the Council's website and distributed to key access points across the borough, ensuring that residents have numerous access channels. A feedback form is attached to the Annual Report so the Council can take account of the views of residents and service users. In addition, the Council

Tax leaflet, containing details of the Council's budget, is distributed to every household in the borough.

**Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements**

The Council is involved in partnership working with a wide range of other organisations and has compiled a partnership register to record all of the partnerships in which it is involved. The role of overseeing and ensuring effective joint working with partners lies with the Cabinet.

Southwark's local strategic partnership (LSP), Southwark Alliance, is led by a board in accordance with its standing orders. Partnership arrangements were fully reviewed in autumn 2009, resulting in new standing orders being agreed in December 2009. The standing orders describe the purpose of the partnership, its membership, and functions. The thematic partnerships, which come under the umbrella of the Southwark Alliance, each have their own governance arrangements proportionate to the significance of the individual partnership.

Other partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved, for example the partnership between the Council and the PCT is governed by formal Section 31 (now Section 75) agreements.

***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 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 Head of Audit & Risk's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

- the Monitoring Officer's duty to maintain the constitution, which is reviewed each year by the Council at its annual meeting, and to promote and maintain high standards of conduct through the provision of support to the Standards Committee
- the Council's internal audit coverage, which is planned using a risk based approach. The Annual Internal Audit Report provides an overall assessment on the adequacy of the Council's internal control environment and areas of weakness to be addressed
- external audit opinion on the adequacy of the internal audit service and comment on corporate governance and performance management in their Annual Audit Letter and other reports
- the Audit Commission Organisational Assessment (now defunct)
- the Audit and Governance Committee agrees the annual audit plan and receives, considers and challenges the Annual Internal Audit Report, the District Auditor's



Governance Report, Use of Resources assessment (now defunct) and Annual Audit Letter. The Committee also considers reports on risk management, fraud issues, and other governance issues

- an annual performance assessment of adult social care by the Care Quality Commission
- an annual rating for children's services by Ofsted
- annual governance assurance statements confirming the adequacy of the governance arrangements in departments are made by strategic directors.

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

1. The 2011 Census provides an opportunity to address what the Council believes has been a significant shortfall between Southwark's actual population and the population calculated by the Office of National Statistics that is used for central government grant allocation. The Council has developed a programme to ensure that the Office for National Statistics (ONS) receives effective local support to help it get a complete and accurate count in Southwark and therefore present a more accurate representation of Southwark's population. This will in turn support fairer funding for our population and an increased understanding of the demographic, social and economic characteristics of the population we serve.

The 2011 Census programme will:

- engage our residents, especially those that are less likely to respond through work with voluntary sector organisations and specific population groups;
  - complete an accurate register of Southwark's residential addresses to help the Office for National Statistics (ONS) send census forms to all households in Southwark;
  - complete detailed descriptions of Southwark's areas to help enumerators and other census staff get an accurate count in Southwark;
  - influence ONS to review and where needed change the way the census will be done in Southwark, to help get a complete and accurate count across all resident population groups;
  - provide ONS with logistical support during the census period
2. With the current economic outlook likely to result in tough financial settlements in the coming years and the demand for some services likely to increase, Council finances need to be kept under close review, both in the current year and within its medium term resources strategy. The Council will continue to take appropriate action to help ensure that it maintains its record of achieving a balanced budget. In particular the Council will ensure that strategies remain both current and relevant to support the increasing demands being placed on services as resources become more limited. These strategies include those for asset management, information technology and human resources.
  3. The tough financial settlements expected in the coming years increase the importance of ensuring that the Council collects all the revenue that it is due. Performance of the Council's outsourced revenues and benefits service in relation to Council Tax collection, whilst initially showing signs of improvement after its commencement in 1998, has not increased in line with other inner London authorities in recent years. On 29 September 2009 the Council's

Executive approved the strategy to create an 'in-house' service following termination of the existing arrangements with effect from 1 April 2011. Improvement plans remain in place during the final year of transition in 2010/11 and due diligence will be undertaken to prepare for the new operational arrangements in 2011. A robust governance programme exists for the transition of the service during 2010/11 including the early transfer of the Business Rates function in June 2010.

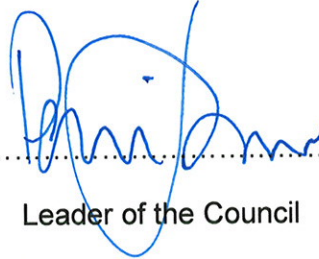
4. The Council is continually monitoring the effects of the recession on the assumptions made in its major regeneration programmes and property disposal plans have been adjusted a result of the recession and the reduction in property values. The Council is also undertaking a review of its housing strategy to take account of the financial implications of any funding shortfall and the results of the new stock condition survey to enable it to move towards the Decent Homes Standard for all council properties in the most appropriate planning period, subject to resources being available. This activity takes place in the context of the Council being one of the largest social landlords in the UK, with special circumstances relating to the condition of a large proportion of the housing stock it maintains.
5. The protocol for the preparation and audit of the final accounts enabled a significant improvement in the audit of the 2008/09 statement of accounts. However, as in the previous year, the audit of fixed assets and capital accounting was difficult and resulted in delays in the completion of the audit. In order to address this issue, a significant restructuring has been undertaken to align responsibilities for these accounts within the chief accountant's team. It is expected that this will lead to an improvement in the timeliness, accuracy and quality of the accounts and in responding to the audit. This will also enable the delivery of the plan for moving to IFRS based accounting in 2010-11.
6. The Council has an ongoing Information Services Strategy Implementation Programme to improve, and monitor, areas relating to the delivery of information services (IS). The four main themes which are being addressed are:
  - Improvements to stakeholder management – this area is addressing interfaces and communications between the IS client side, IT providers and the Council as a whole
  - Supplier relationship management – to review delivery performance by outsourced providers of IT. This work stream is also reviewing the contractual elements with the Council's primary ICT provider to facilitate improvements to the Council
  - Operational service delivery – to ensure the basic service delivery of IS services and continuing improvements
  - Restructure – To review the governance, roles and responsibilities of providing IT to the Council.

We propose over the coming year to take steps to address the above matters to enhance further our governance arrangements. 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:

*Annie Sheppard*

Chief Executive

A handwritten signature in blue ink, appearing to be 'Annie Sheppard', written over a dotted line.

Leader of the Council

