

**Draft**

# Annual Governance Statement 2024-25

DRAFT

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# Introduction

1.1 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. To achieve this the council has to ensure that it has a governance framework that supports a culture of transparent decision making.

1.2 The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Amendment) Regulations 2021, 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

2.1 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 diagram below.

### Core principles of the CIPFA/SoLACE framework



# Key elements of the council's governance arrangements

3.1 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 has been updated, and the revised code was reported to the audit, governance and standards committee in February 2024.

3.2 The CIPFA Advisory Note 'Understanding the Challenge to Local Authority Governance' (March 2022) restates the importance of increasing awareness and strengthening of governance arrangements following the significant and high profile failures in some local authorities. These concerns were reaffirmed by the Department for Levelling Up, Housing and Communities (DLUHC) in their 2020 report, 'Addressing cultural and governance failings in local authorities: lessons from recent interventions'. More recently, 'Preventing Failure in Local Government' (2023)<sup>1</sup> explores the lessons learned about the causes of failure in local government. It examines why safeguards designed to prevent councils from making bad decisions that waste public money and undermine trust in local government have not operated effectively. The report recognises the complexity of local government structures, the funding constraints and challenges and recommends a number of safeguards including improving culture and leadership to strengthen the ability to prevent failure. These reports collectively highlight the importance of robust governance frameworks, transparent decision-making, strong leadership, and continuous improvement to prevent failures and ensure effective management in local authorities.

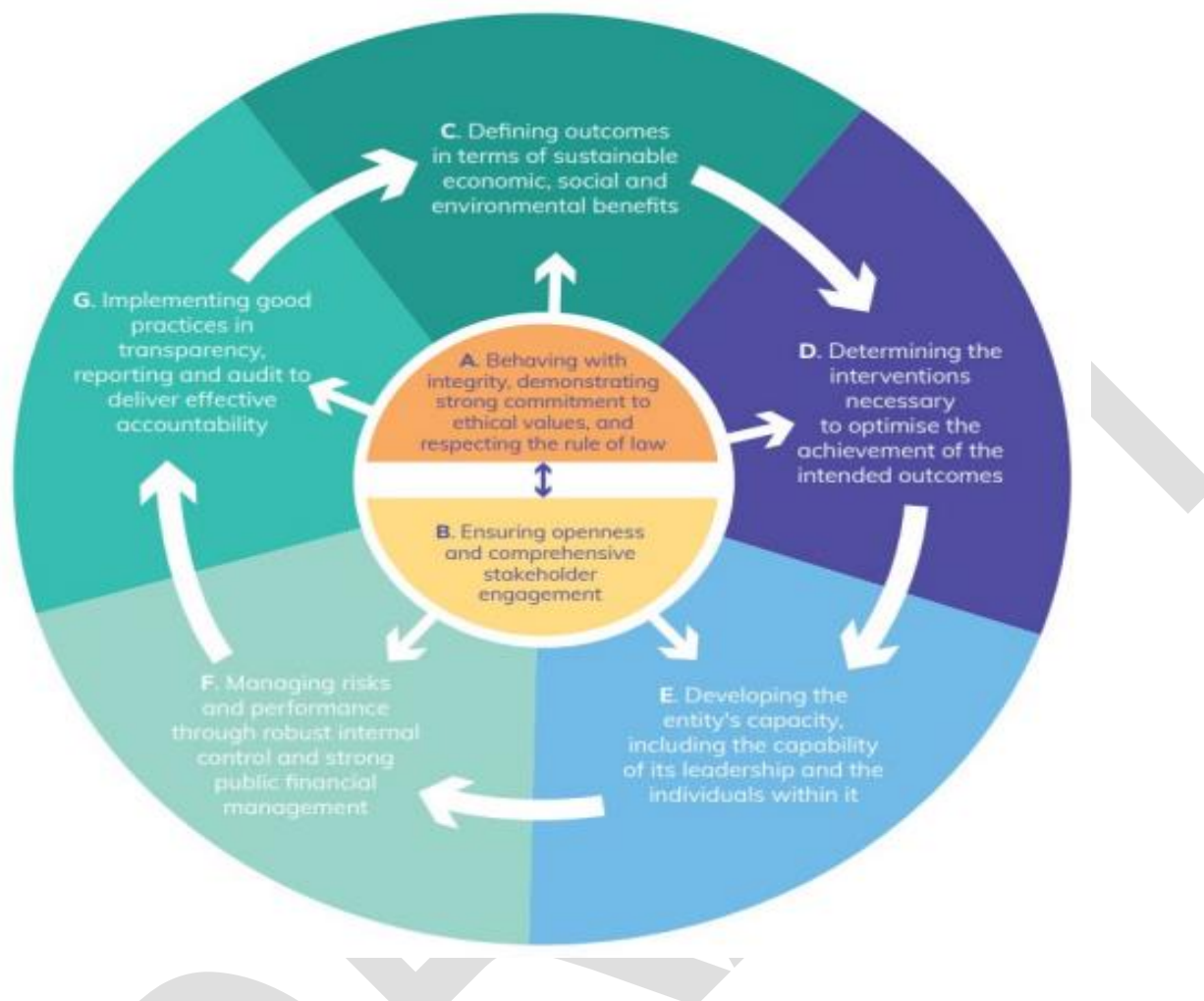
3.3 The CIPFA Advisory Note, 'Local audit delays and the publication of the annual governance statement' (December 2023) defines an assurance framework as (Figure 1):

*'The means by which leaders, managers and decision makers can have confidence that the governance arrangements that they have approved are being implemented, operating as intended and remain fit for purpose.'*

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<sup>1</sup> Grant Thornton 2023 [How can further local authority failures be prevented?](#)

**Figure 1: Establishing an effective assurance framework**



3.4 For good governance to function well, the CIPFA Advisory Note highlighted the need for organisations to encourage and facilitate a high level of robust challenge. The Corporate Peer Challenge undertaken in October 2023, enabled leaders and members to have an external assurance of the governance arrangements in place. It provided a welcome challenge to safeguard the council from the failures that have been so widely reported. In 2024-25, many of the actions recommended from the review have been completed or are on track to be completed which has strengthened the council's assurance arrangements.

3.5 '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. The council has assessed compliance with the FM Code since its introduction and compliance is reported every year to the audit, governance and standards committee.

3.6 The governance framework incorporated into this Annual Governance Statement has been in place at Southwark Council for the year ended 31 March 2025 and up to the date of the approval for the statement of accounts.

## Constitution and Committees

3.7 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 (including themselves), with each cabinet member holding a special portfolio of responsibility. The council leader, Councillor Kieron Williams was appointed in September 2020.

3.8 The council's [constitution](#) is updated throughout the year and sets out how the council operates. It states what matters are reserved for decision by the whole council, the responsibilities of the cabinet and the matters reserved for collective and individual decision, and the powers delegated to panels, committees and community councils. Decision-making powers not reserved for councillors are delegated to chief officers and heads of service. The Assistant Chief Executive, Governance and Assurance, ensures that all decisions made are legal and supports the audit, governance and standards committee in promoting high standards of conduct amongst members.

3.9 The council demonstrates openness and transparency and that it is acting in the public interest by having an up to date Constitution, clear arrangements for delegation of functions and an active Scrutiny and Audit Governance and Standards Committee. The council also maintains a published Forward Plan. All council meetings are open to the public and are live-streamed. In addition, all elected members are required to keep their register of interests and gifts, and hospitality register up to date. Officer declarations are undertaken annually. In 2024 the council reviewed its decision making processes and report writing guidance to ensure greater transparency. It also reviewed its call-in procedures to allow any 5 members of the council to call in a decision.

3.10 The overview and scrutiny committee and its scrutiny commissions scrutinise decisions made by the cabinet, and those delegated to officers, and reviews services provided by the council and its partners. The scrutiny officer promotes and supports the council's scrutiny functions. The Centre for Governance and Scrutiny were commissioned by the council in August 2022 to provide a health check of the council's scrutiny function. The findings of the review were reported in April 2023, with comments that '*scrutiny had a good foundation in Southwark*' and suggested a number of recommendations to enhance the scrutiny function. The council agreed to all of the recommendations, has an action plan in place and aims to implement the recommendations over the two year period 2023-24 and 2024-25.

3.11 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, through

ward forums, attendance at local meetings or contact with a local ward councillor. Trades unions are consulted on issues that affect council staff.

## The Council Delivery Plan

3.12. The council's overarching budget and policy framework is set by Council Assembly, and all decisions are made within this framework. In November 2024 Council Assembly approved Southwark 2030, an ambitious, place-based strategy that sets out our partnership vision for a fair, green, and safe Southwark where everyone can live a good life as part of a strong community. The corresponding Southwark 2030 Delivery Plan sets out these policies, priorities and commitments to the people of Southwark, impacting all wards and activities delivered by the council and our partners. It sets out the action we will take until 2026 as the first steps towards our long-term vision.

3.13 Southwark 2030 is organised against six Southwark 2030 goals plus an internal-facing goal to ensure Southwark is a well-run council:

1. Decent homes for all: People live in safe, well-maintained homes.
2. A good start in life: Children and young people have a great childhood that builds on a very solid foundation for adult life.
3. A safer Southwark: Crime is low and people feel safe
4. A strong and fair economy: We all benefit from Southwark's economic strength and growth.
5. Staying well: People across our whole community can have good health and wellbeing.
6. A healthy environment: Our environment is clean, green and healthy.
7. A well-run council: Leading by example to deliver high-quality, accessible services that meet the needs of all residents

3.14 Southwark 2030 is underpinned by three principles that guide our work:

- Reducing inequality: we are determined to ensure everyone can access the opportunities, resources, and power they need to thrive.
- Empowering people: we want to empower strength in everyone, growing skills, and resilience to enable participation and leadership.
- Investing in prevention: we will invest our time, capacity, and resources towards early help so that residents can live empowered, healthy, and fulfilling lives.

3.15 Performance against the delivery plan is monitored throughout the year. Progress is reviewed quarterly by the leader 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.

3.16. Work is underway to establish an improved council performance management framework that will define our shared approach to efficient, timely and high-quality quarterly reporting and assurance on organisational performance and progress against our Council Delivery Plan. Through this new approach, we will deliver a shared picture of council performance, corporate health and



organisational effectiveness, enabling the joint identification, planning and review of areas for performance focus and support. It will enable appropriate oversight and decision-making at all levels, reflecting both our departmental priorities and Southwark 2030 goals. It will also be underpinned by an Outcomes Framework, enabling us to better triangulate between programme activity, service performance, and impact for residents.

3.17 The council delivery plan was agreed in September 2022 and refreshed by cabinet in February 2025. The plan works alongside the [Fairer Future medium term financial strategy 2022-23 to 2026-27](#), allowing the council to make best use of the financial resources available and to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders. The medium term financial strategy is updated regularly together with in- year monitoring reports which are presented to cabinet in July, September, December and January prior to the formal budget setting process in February.

3.18 From the council delivery plan, service plans and business plans are developed, and individual officer work plans are agreed, with performance targets agreed at every level. These are measured by 1:1 and team supervision arrangements and departmental performance management processes. 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.

## **Performance, Policies, Risk and Financial Arrangements**

### *Learning and Development*

3.19 The council provides a complete programme of learning and development to officers and members. The performance management process helps to identify learning and development needs, which are then translated into personal development plans for staff. Members are also offered development opportunities, in line with their own personal development plans. Senior officers are also expected to keep abreast of developments in their profession.

### *Whistleblowing Policy*

3.20 The council 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 number of whistleblowers, member complaints and RIPA (Regulation of Investigatory Powers Act) cases are reported annually to the audit, governance and standards committee.

### *Standards of Conduct*

3.21 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.

### *Financial Management*

3.22 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 Resources who has statutory responsibility for the proper management of the council's finances and is a key member of the corporate management 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 Resources provides detailed finance protocols, financial regulations, procedures, guidance and finance training for managers and staff.

### *Assurance Arrangements*

3.23 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.

### *Risk Management*

3.24 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 risk 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.

## Review of effectiveness

4.1 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.

4.2 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.

4.3 The key elements of the review of effectiveness are:

#### *Internal Management Processes*

4.3.1 The council's internal management processes, include performance monitoring and reporting; the staff performance appraisal framework; internal surveys of awareness of corporate policies; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget challenge process. The council constantly reviews the [constitution](#) and decision-making framework to ensure clarity openness and transparency. Revisions to the protocols and procedures are revised on a regular basis with the communication protocol, the whistleblowing procedure, and the Member Officer protocol reviewed in April 2025. Members are also required to register any company directorships or contracts with the council where they or their partner have a beneficial interest on an annual basis by the 31 March. The council have a system of delegation to Cabinet Members and Chief Officers in place, all of whom can make key decisions. Informal governance also plays an important role in developing strategy, monitoring the council's performance and developing proposals which are then taken through formal decision making and governance processes.

#### *Cabinet Scrutiny Protocol*

4.3.2 The council has signed up to a Cabinet Scrutiny Protocol in response to the recommendations of the Centre for Governance and Scrutiny (CFGs)<sup>2</sup>. The purpose of the protocol is to enable cabinet, senior officers and the scrutiny function to have a clear understanding of the expectation of members, officers, organisations and individuals engaging in the scrutiny process.

#### *Corporate Peer Challenge*

4.3.3 As part of the membership with the Local Government Association (LGA), councils are offered the opportunity to have a peer review, also known as Corporate Peer Challenge (CPC) review, every five years. In October 2023, the council welcomed a team from the LGA to undertake a CPC review. This is a highly valued improvement and assurance tool that is delivered by the sector for the sector.

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<sup>2</sup> [Structures, resources and formal powers - A Practice Guide - CFGS](#)

4.3.4 A team of senior local government councillors and officers undertook a review of key finance, performance and governance information to identify strengths and areas for improvement across core elements. Overall, the review stated that the London Borough of Southwark was a good council, with prudent financial management, with a well owned council delivery plan working to deliver new strategic priorities. The team provided 11 recommendations for the council which can be found in their [feedback report](#). These recommendations were consolidated under three strategic areas:

- Strategic direction of the council
- Service specific improvements
- Future Southwark capacity and corporate infrastructure

4.3.5 Following the recommendations, a detailed action plan was agreed at Cabinet in January 2024. The action plan provides key milestones to be achieved through define timelines and ensures the council is moving in a direction of continuous development and improvement.

4.3.6 The council has since continued to work at pace to make progress against the CPC recommendations. Our progress review took place in May 2025, providing space for the council to receive feedback on the progress made to date, take stock of what has been achieved and acknowledge where more improvements are required to deliver its ambitious shared vision for the borough. Key improvements include:

- the Southwark 2030 strategy agreed at Council Assembly in November 2024 and its launch in February 2025 bringing together over 140 people from across the borough to pledge to work together with residents and communities to build good lives for everyone in the borough;
- the Southwark 2030 Delivery Plan agreed at Cabinet in February 2025 setting out the council's consolidated priorities for the next financial year, offering clarity for its ambitious vision over the short and longer-term;
- the implementation of a comprehensive Housing Improvement Plan programme following the C3 judgement issued by the Regulator of Social Housing (RSH) in November 2024;
- The delivery of the first phase of the council's Future Southwark programme, which included the codesign of a new People Plan with staff, a Member Experience Programme, an improved Organisational Development offer and wider enhancements to human resources
- The strengthening of our corporate centre through improvements to the organisation's core functions, including Public Affairs, Communications, and Change and Transformation.

4.3.7. Overall work continued at pace and very good progress has been made against all of the workstreams and key milestones. Many have been completed and for those that require longer term or ongoing actions, have been embedded in the council's 'business as usual' or continue to form part of the ongoing Future Southwark programme.

4.3.8. Following the progress review in May 2025, a report is expected to be published in June 2025, helping the council to continue to build on Southwark's strengths and become the best organisation for its residents, local businesses and partners.

#### *Annual Management Assurance Statement*

4.3.8 This is an annual management assurance statement signed by strategic directors that confirms their departmental governance arrangement. Each department has a business plan and a Scheme of Management which clarifies internal procedures and assigns accountability. This approach ensures that performance against key metrics is regularly monitored, to enable timely action to be taken if any key areas of service delivery are off track and to ensure robust risk management of services across the portfolio. The departmental business plans are in turn, aligned to the Corporate Delivery Plan.

#### *Corporate Risk Management*

4.3.9 The annual report on corporate risk and risk management arrangements which are presented to the 3 February 2025, audit, governance and standards committee for discussion. The council's corporate risk register is prepared following joint assessment by officers of all departmental risks. This in turn is then reviewed by the Corporate Management Team. Each department reviews their risk registers on a quarterly basis. Each risk is accompanied by a mitigation setting out the controls in place to manage risk.

The main purposes of the council's corporate risk management process are:

- To set out the most significant risks to the council in the context of multiple risks identified and managed within each department.
- Where appropriate, to consolidate common risks issues especially where cumulatively they may amount to a higher risk rating.
- To ensure that single risks that may act to impact across all council services are recorded (e.g. cyber security).
- To enable risks to be effectively managed to ensure that the council meets its corporate and business objectives; and
- To alert the council to new or increasing risks that may impact on the council's ability to serve its residents and wider community.

4.3.10 This year, the corporate risk register, whilst maintaining risks associated with the council's normal operations, also considers the Southwark 2030 strategy, and aligns the corporate risks with the six goals where possible. Risk descriptions and high-level mitigations have been updated where

appropriate. A number of the corporate risks remain high, reflective of the current environment which continues to impact directly on management, operations and financing of local authorities.

4.3.11 The top risks are those that have been assessed as ‘amber’ or ‘red’ and appear in more than one department and often require the most proactive management actions to control and mitigate these risks. The number of risks across all council departments remains consistent with that reported in 2024. The high level risks highlighted in February 2025 are listed in Table 1 below.

**Table 1 2024-25 Risk Register**

Southwark 2030 Priority	Risk Description
Decent Homes for All	Housing Revenue Account (HRA) financial Sustainability
	Asset management and Building safety
A Healthy Environment	Climate Emergency
A Good start to Life	Schools and Education
A Strong and Fair economy	Acute socio- economic factors
	Cost of Living Crisis
Cross cutting across Southwark 2030 objective/other corporate risks	Cyber security, IT, Data and information management
	Recruitment, retention, resources and capacity
	Medium Term Financial Planning
	Key Providers and Partners
	Capital Projects
	Unforeseen Major event
	Health and Safety

### *Chief Audit Executive Opinion*

4.3.12 The chief audit executive opinion to members on the adequacy and effectiveness of the internal control framework, the council’s risk management and governance process. The audit opinion overall, provides moderate assurance. This denotes that that there is a sound system of

internal control, designed to meet the council's objectives, that controls are being applied consistently across various services.

### *Internal Audits*

4.3.13 Internal audits have strengthened local and corporate wide arrangements. The approach to taken by internal audit is to use the council's risk management process and risk register as a starting point as this is the council's assessment of the risk to achieving its strategic objectives; confirm this approach with senior management and also considered the emergent risks in local government and the wider public sector.

### *Audit, Governance, and Standards Committee*

4.3.14 The audit, governance and standards committee is independent and separate from the scrutiny function delivery through the Overview and Scrutiny Committee and from the decision making committees. The audit committee provides an oversight on a range of core governance and accountability arrangements. The work of the audit committee in 2024-25 was reported in February 2025<sup>3</sup>.

4.3.15 The audit governance and standards committee formal review of their performance. The committee assessed its work and performance against the CIPFA's 'Position Statement 2022'<sup>4</sup> at the February 2025 committee. The work programme aims to ensure the committee covers key areas of audit activity (both internal and external) governance and standards activity, financial reporting and scrutiny of the treasury management strategy and policies.

4.3.16 The committee continued its approach to the consideration of governance by having additional structured reports on high risk areas and committee members continued to ask challenging questions and raise issues on matters before it. In some cases, this has resulted in further information being provided to the committee to provide the assurance sought; in others, it has resulted in increased focus on the implementation of action plans.

4.3.17 Members confirmed that the reports and governance discussions gave them assurance that:

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- (i) the council's system of risk management was adequate to identify risk and to allow the council to understand the appropriate management of those risks.

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<sup>3</sup> [February 2025 audit governance and standards committee](#)

<sup>4</sup> CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

(ii) there were no areas of significant duplication or omission in the systems of governance in the council that have come to the committee's attention and not been adequately resolved.

4.3.18 Departmental governance conversations. In 2024-25, the audit, governance and standards committee continued to invite Strategic Directors, the Assistant Chief Executives and the Chief Executive to discuss their departments' governance arrangements. These 'governance discussions' provided in depth details of departmental governance arrangements, departmental risk registers, associated controls and mitigations and allowed committee members to discuss and challenge particular governance issues. These discussions will continue into 2025-26 with a renewed focus on key risk areas.

#### *Compliance with the CIPFA Financial Management (FM) Code*

4.3.19 The review of compliance with the CIPFA Financial Management (FM) Code for 2024-25 was reported to the Audit, Governance, and Standards Committee in July 2025. The purpose of the FM Code is to provide a strong foundation for managing financial resilience, meeting unforeseen demands on services, and handling unexpected shocks in financial circumstances.

4.3.20 A key part of the FM Code involves reviewing the council's financial sustainability against the CIPFA financial resilience index, which benchmarks performance across other local authorities. This review is particularly important given the increasing number of authorities facing acute financial difficulties, leading to the issuance of 'Section 114'<sup>5</sup> notices. The overall findings across all local authorities in 2024 showed a pattern of continued decline in reserves and increased social care expenditure. The index indicated that Southwark Council is at 'low risk' for the level of general fund reserves. Expenditure levels for social care were high and in line with other authorities, but with an improved score from the previous year. Additionally, Southwark Council was rated well for children's social care. Areas that were highlighted as higher risk for the council, included the long-term financial sustainability of the Housing Revenue Account (HRA) and the levels of external debt. Section 6.2 provides further discussion on the financial sustainability of the council's HRA and the Housing Investment Programme (HIP).

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<sup>5</sup> A Section 114 notice is a formal report issued by the Chief Financial Officer (or Section 151 officer) of a local authority. The notice is issued to prevent the local authority from incurring unlawful expenditure. This typically happens when the authority's predicted expenditure is likely to exceed its available funds for the financial year.



# Assurance statement

5.1 The annual governance review, as detailed above, provides strong evidence of the robustness of the council's system of internal control and that the arrangements are fit for purpose in accordance with the governance framework.

## Governance issues

6.1 The specific governance issues are addressed in the following sections:

- Action plans from issues highlighted in the 2023-24 annual governance statement:
- Governance issues and actions in 2024-25
- Areas of Significant Change: looking forward to 2025-26 and the medium term

## Issues highlighted in the 2023-24 Annual Governance Statement: Actions and Outcomes

6.2 The follow up of the governance issues highlighted in 2023-24 are discussed in paragraphs 6.2.1- 6.2.27 and summarised in Table 2.

**Table 2: Summary of governance issues: Actions and Outcomes**

Governance issues Identified in 2023-24 Annual Governance Statement	Action taken in 2024-25	Section and paragraph
Housing – HRA	Housing Revenue Account (HRA) – long term financial sustainability plan continues to be council wide priority	Section 6.2.1-6.2.7
Housing – Temporary accommodation	Temporary accommodation- continues to be subject to enhanced monitoring and mitigating action plans	
Southwark Stands Together (SST)	SST continues to be a key priority for the council. Proportion of senior managers who are ethnically diverse increased while the council's ethnicity pay gap reduced.	6.2.8-6.2.10

Cost of Living Crisis	The council's response to the crisis has been to support over 23,000 households in 2024-25.	6.2.11-6.2.13
Southwark 2030 and Future Southwark	Renewed focus on long term transformation and re-focus of council priorities through Southwark 2030 and Future Southwark	Section 6.2.14-6.2.17
Staffing  -Changes to council's senior management structure  - Recruitment and retention of staff	Senior management changes  Recruitment and retention of staff remains a priority	6.2.18-6.2.20
External audit	All accounts up to date	6.2.21
Climate Emergency	Climate Budget statement	6.2.22-6.2.25
Other Council Services	Progress on Special Educational Needs and/or Disabilities (SEND) and Dedicated Schools Grant (DSG)	6.2.26- 6.2.27

### *Housing -Housing Revenue Account (HRA)*

6.2.1 Southwark is one of the largest social landlords in the country, consisting of 55,000 rented, leaseholder and freeholder homes across the borough. The cost of living crisis, restrictions to available income, debt charges and inflationary pressures continue to have huge ramifications on the Housing Revenue Account (HRA). The HRA reflects the statutory requirement to account separately for all costs and management of the council's housing stock, offset by tenants' rents and service charges, homeowner service charges and other income.

6.2.2 The government imposed below inflation restrictions on the rent rises for social housing, at 7% in 2023-24, and prior to this intervened to reduce social rents by 1% p.a. for the 4 years commencing April 2016. In addition, the HRA has faced unprecedented financial pressures such as

additional unfunded regulatory burdens arising from the Fire and Building Safety Acts, exceptionally high inflation in construction markets in prior years, and interest rates remaining higher than expected. The continuing financial pressures on the housing revenue account have been closely monitored by the council and reported to cabinet throughout 2024-25.

6.2.3 The HRA outturn for 2023-24 was an in-year net overspend of £16.4m, with reserves of just £16.9m as at 31 March 2024. Given the size of the council's HRA, a prudent level of reserves should be in the region of £50m, so the council took immediate action to ensure ongoing financial sustainability and drafted a 10 year HRA Recovery Plan with a clear suite of actions including a housing repairs improvement programme, an end to end review of void properties and the refresh of the asset management strategy. Governance arrangements have been strengthened through spending controls and a review of the department's scheme of management. The HRA recovery plan is in two phases. Phase 1 sought to reduce revenue spend through a range of activities, including setting cash limits within which services have been required to operate. Phase 2 sought to restore HRA budgets to a sustainable level and increase reserves to a prudent level.

6.2.4 Phase 1 has required additional borrowing to fund the asset management programme, where costs are currently in excess of the available budget, and due in part by the unfunded costs arising from changes to legislation. This additional borrowing will be paid off over the lifetime of the HRA Recovery Plan, to ensure that long term borrowing is only used to deliver new homes. In addition, the council put into place other available measures to reduce the need to borrow, such as curtailing or pausing projects that are funded by borrowing and increasing resources through disposing of uneconomic assets.

6.2.5. It was assessed that savings of £19.3m would be required to achieve the estimated cash limits set out in the HRA recovery plan. Cabinet received detailed monitoring reports against these targets throughout 2024-25. The outturn has reported a favourable variance of £3.9m due to one -off windfalls in income, other financial support actions and short term cost reductions arising from slippage in capital and maintenance works programmes. It had been projected that borrowing would be required for asset management in 2024-25, but this has not been required, as it's been funded through capital receipts from the sale of redundant or uneconomic assets and a review of the overall investment plan. Notwithstanding this improvement, the underlying financial position of the HRA remains very challenging, with an initial savings requirement of c.£11.6m to achieve the budgeted service cash limits for 2025-26. In the long term, the HRA sustainability continues to be a council-wide strategic priority.

6.2.6 The Housing Investment Programme (HIP) is the capital programme for the Housing Revenue Account (HRA), divided into two major strands: the New Build programme and the Asset Management (AM) programme. The New Build programme focuses on the delivery of new council homes, while the Asset Management programme ensures the upkeep of existing council homes, maintaining safety, health, and compliance with legal obligations. The HIP underwent a similar

detailed review to ensure it meets strategic policy aims while remaining affordable and sustainable. The council's New Build Programme is constrained by the need for borrowing and the impact of interest costs on the HRA. The council has reduced borrowing to prevent unsustainable debt servicing costs, achieved by slowing or pausing projects and identifying alternative income sources.

### *Housing - Temporary accommodation*

6.2.7. London Council's <sup>6</sup> reported a projected £330m overspend (60% over projected budgets in 2024-25) for London councils due to the cost of homelessness. The cost and demand for temporary accommodation remains unrelenting, driven by the growing national homelessness crisis, unaffordable private sector rented accommodation and restrictions on Local Housing Allowance (LHA) rates meaning welfare benefits no longer cover the cost of private rented accommodation. These budgetary pressures in Southwark were closely monitored in 2024-25 by a cross departmental board taking practical steps to increase the supply of appropriate housing solutions. Despite monitoring of this high pressure area, the reported overspend was £9.5m as at 31 March 2024. This area of increasing overspend has been reported to June 2025 cabinet. Mitigations will continue in 2025-26 with short and long term solutions. The government have recognised these additional pressures on local authorities and have allocated additional funding for homelessness prevention. Southwark have been awarded £3m more in 2025-26, than the allocation in 2024-25.

### *Southwark Stands Together (SST)*

6.2.8 Southwark Stands Together (SST) is the council's ambitious programme of work to tackle racism and promote anti-racist practice, both within the council and the community. The programme continues to be one of the council's most important priorities, with progress overseen by a board chaired by the chief executive and attended by members of the corporate management team as well as trade union representatives.

6.2.9 During 2024-25, the council commenced the roll-out of "Let's Talk About Race", a facilitated conversation, supported by videos, which every team in the council is expected to use to encourage open conversations about race and racism in the workplace. During the course of the last year, the proportion of senior managers who are ethnically diverse increased from 33.4% to 34.4% while the council's ethnicity pay gap reduced from 8.9% to 8.3%.

6.2.10 The [Southwark Maternity Commission](#) shone a light on inequalities in local maternity care, highlighting that Black or Black British mothers were more likely to report a negative experience of maternity care than mothers from any other ethnic group. The report highlighted concerns regarding quality of care, communication and cultural sensitivities, and set out to urge change from all partners across government, the NHS, mental health services and the voluntary sector. The report's 10

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<sup>6</sup> <https://www.londoncouncils.gov.uk/news-and-press-releases/2025/ps330m-homelessness-overspend-housing-crisis-threatens-bankrupt-london>

recommendations will be used to support changes that reduce inequality and underpin a local action plan. The council's Health and Wellbeing Board is committed to monitoring and reporting on the progress of the recommendations made by the commission, with an annual review each April.

#### *Supporting the most vulnerable through the 'Cost of Living' crisis*

6.2.11. The council pledged to continue to tackle the cost of living crisis for residents through the 'Cost of Living Fund' that provided help with bills. During 2024-25, the council delivered extensive support to many residents, while prioritising those on the lowest incomes and most vulnerable to cost of living impacts. Low-income households with children received the most support – including Holiday Free School Meals and expanded eligibility for term-time free school meals for secondary school children. Others receiving support from the fund included pensioners, and those with disabilities on low incomes but not claiming or eligible for welfare benefits - especially those most affected by the ending of the universal Winter Fuel Allowance. Thousands of low-income households getting help through the Council's Council Tax Reduction (CTR) scheme received a further reduction in their bill of £50.

6.2.12 By working with the voluntary, community and faith sector partners, in 2024-25, the council supported more than 23,000 households through the cost of living crisis, including at least 14,000 households with children, sick or disabled people receiving care, older people affected by the loss of the winter fuel allowance and low-income households at risk of fuel poverty (living in energy inefficient homes) by providing help with bills. The council provided additional support to those on low incomes to gain access to the best advice. Not all advice had a financial outcome but the average financial gain for all those households receiving one-to-one advice from the 'Southwark Energy Savers' service was estimated at more than £1,300. Recognising the scale and impact of energy debt among Southwark residents, the service will continue for at least one more year.

6.2.13 The Government's Household Support Fund (HSF) will be further extended in 2025-26. The Council will pool its HSF allocation with other government grants to create a new Better Living Fund that will have a greater focus on preventive support consistent with the goals and principles of Southwark 2030. Preventive measures will help build vulnerable low-income households' resilience against potential future shocks. The Council will consult its Voluntary and Community (VCS) partners on the most suitable forms of preventive support for a wide range of vulnerable groups of all ages. The aim will be to prevent them from falling into poverty or deep poverty with all its attendant risks for health and well-being, including greater food insecurity, fuel poverty, material deprivation or social isolation. The Council will also target funding toward the most vulnerable residents to help them pay bills, for example through its programme of holiday-free school meals for eligible children, for the rest of this year. That support will complement the Holiday Activity and Food programme that provides enriching activities and nutritious food for children from low-income households who would otherwise miss out on such opportunities, and wider eligibility for term-time free school meals for secondary school children from low-income families. Additionally, the Council will continue to offer support for

low-income households experiencing a crisis or needing help to live independently in the community through its local welfare assistance scheme.

### *Southwark 2030 and Future Southwark*

6.2.14 The Future Southwark programme initiated in March 2024 when the Corporate Management Team (CMT) agreed the Future Southwark Framework, defining Future Southwark as an internal change programme which aims to support staff and provide stronger cross-organisational governance and assurance on service improvement and organisational change so the council can achieve the Southwark 2030 vision and deliver the goals set out in the strategy.

6.2.15 The delivery of this programme is by phases. Phase I focusses on staff, skills, innovation and infrastructure whereas Phase II is described as moving into a programme that supports the organisation to enable delivery of the Southwark 2030 vision and goals and the delivery of corporate savings.

6.2.16. The delivery of Phase I has included delivery of service improvements identified by the Corporate Peer Challenge review. Workstreams included:

- establishing a small Corporate Programme Management Office to support programme reporting, assurance, benefits realisation and interdependencies on an agreed portfolio of corporate change programmes;
- providing assurance and progress reporting on the Corporate Peer Challenge action plan;
- supporting the delivery of projects on Member Experience, scoping an accommodation strategy, a review of corporate resources to optimise the skills, capacity and infrastructure in strategic business resources across Strategy, Change and Programmes, and Business Intelligence and Data Analysis;
- commissioning and delivering the council's first Resident Insight Survey; and
- development of the People Plan following significant engagement with staff and key stakeholders.

6.2.17. To support the Future Southwark programme, during the course of 2024-25, the Strategy & Communities department (S&C) has undergone a significant leadership restructure with the establishment of senior leadership posts in the department to ensure robust management, governance and leadership.

6.2.18 The Assistant Chief Executive (ACE) for S&C is developing a departmental forward plan to ensure appropriate departmental governance of budget and decision making via departmental team meetings. An updated scheme of delegation (February 2025) defines delegated leadership responsibilities, ensuring clarity on managerial accountabilities.



6.2.19 We are now moving into Phase 2 of Future Southwark. This phase includes continued work on council culture, skills, accommodation, and service delivery models which will be overseen by the Corporate Transformation and Efficiencies Board (CTEB) to ensure delivery and integration across departments. The role of CTEB is to continue providing strategic oversight of the Future Southwark Programme and cross council transformation activity. Integrated reporting on key council change programmes has been established to ensure that the organisation understands the synergies between programmes, is assured of delivery, develops connections and supports cross council collaboration.

6.2.20 The fundamental purpose of this work has been to shift to a whole-organisation approach around three themes;

- How we work, including the approaches, tools, policies, values, ways of working and behaviours that we will need for the future
- Where we work, and making sure we have fit-for-purpose places for work, and that they are professionally managed and maintained
- Our skills for work, including the skills, teams, methods and infrastructure that we need to be fit for the future

6.2.21 Phase 2 will also focus on delivering corporate, cross-cutting savings. This includes targeted workstreams in areas such as corporate real estate, procurement and third-party spend, income maximisation, business resource redesign, workforce management, and digital transformation. These initiatives will be supported by a structured benefits realisation framework and tracked through robust governance processes, including oversight by CTEB. Savings delivery will depend on the pace of implementation, quality of data, and alignment with organisational priorities. Business cases and resourcing plans will be brought forward in stages, with quick wins anticipated in some areas.

#### *Staffing - Re-organisation of the council's senior management structure*

6.2.22 Following reorganisations in 2023 and 2024, the council has implemented a revised senior management structure. In addition to the senior management changes described in paragraph 6.2.23, the new post of Strategic Director, Environment, Sustainability and Leisure was temporarily filled via an acting up arrangement during 2024-25. A new permanent postholder joined the council in April 2025.

#### *Staffing: Recruitment and retention of staff*

6.2.24 The council continues to prioritise the recruitment and retention of a highly skilled permanent workforce. Following a comprehensive review of the council's approach to recruitment, a new resourcing service was launched in 2024-25. The team includes colleagues with specialist expertise in marketing job vacancies and directly sourcing candidates. Since the new team was established,



the time taken to advertise a vacancy has reduced from 10 days to two, while the time taken to vet and onboard a successful candidate has reduced from 96 days to 38.

6.2.25 A new strand of the Future Southwark programme is focused on the development of workforce management strategies, which are intended to enable reduced spend on agency workers and allowances while building more capability and resilience within the council's permanent workforce.

### *External Audit*

6.2.26. The council is part of the Public Sector Audit Appointments (PSAA) national scheme which appoints the council's external auditors. KPMG was appointed to act as the external auditors for five years from 2023-24, replacing the previous auditors, Grant Thornton. Despite significant national delays in the external audit market for signing off local authority accounts and issuing disclaimer opinions where audits have not been completed within statutory deadlines, the council's audited accounts are up to date. The council's 2023-24 accounts were signed off in February 2025. The 2024-25 external audit has already begun and is expected to be completed by November 2025 so that the audited accounts can be signed off at the November Audit Governance and Standards committee.

### *The Climate Emergency*

6.2.27 The climate emergency is a major focus for the council, which works in partnership with stakeholders, partners, staff and residents to tackle the effects of climate change. The Climate Change Strategy and Action Plan is the primary delivery mechanism that will result in a reduction in carbon emissions across council operations and the wider borough. The Action Plan contains 1,117 actions which once implemented will enable the 50% reduction in operational emissions by 2026, key further decarbonisation measures across the council estate, alongside other critical climate actions including adaptation measures and local policy changes to influence others.

6.2.28 The council's ten-year capital programme, has allocated more than £38 million to major investment programmes where climate impact is a primary objective – representing 8% of the council's total capital programme spend, demonstrating the scale of the council's commitment to climate action and facilitating the climate transition across Southwark. Implementation of these projects is delivering new active travel and low-carbon transport infrastructure, air quality improvements, carbon reductions, climate adaptation and tree planting across the borough.

6.2.29. The council is undertaking a range of actions to secure sustainable finance – including in collaboration with partners and regional and national stakeholders – through development of funding bids and business cases. Key recent actions have included:

- Launching Southwark Green Finance in 2024
- Appointing an External Opportunities Manager in the climate change team to develop the project and pipeline, identify and maximise external sources of investment

- Engaging with government and the Greater London Authority (GLA) on Southwark's most significant funding priorities and gaps
- Undertaking research and reviews of emerging alternative sources of finance, such as those being explored through the UK Cities Climate Investment Commission (3Ci) of which the council is a member

6.2.30 The council have introduced the concept of 'climate budgeting' within the 2025-26 budget setting process, setting out how the council's spending aligns with its commitment to doing all it can to be carbon neutral by 2030. Climate budgeting is a governance process that when applied, will drive effective implementation and prioritisation of a pipeline of short, medium and long term actions to deliver the council's climate targets (including working towards halving the council's operational emissions by 2026, and helping make the borough net zero by 2030).

#### *Council Services – Special Educational Needs and/or Disabilities (SEND)*

6.2.31 At the end of the 2022-23 financial year, the council entered into a formal Safety Valve Agreement with the Department for Education (DfE). This major programme was established by the DfE in recognition of the insufficient funding available for children and young people with Special Educational Needs and/or Disabilities (SEND). The key aim of the agreement is to ensure a sustainable service with better outcomes for children and young people, as well as an in-year balanced position for the Dedicated School Grant (DSG). The council received £1.8 million in 2024-25 following the acceptance of successful monitoring reports, in addition to the £13 million received in previous years. This brings the cumulative deficit of the Dedicated School Grant to £5.8 million as of 31 March 2025 year end.

6.2.32 The SEND improvement programme integrates the delivery of the transformational SEND Strategy while successfully meeting the conditions of the Safety Valve Agreement. The programme is overseen by the multi-agency SEND Strategic Partnership Board, supported by the council-led SEND and Inclusion Quality and Improvement Board, which is responsible for driving operational improvements on behalf of the Partnership Board. Additional assurance is provided by the direct oversight of both the Strategic Directors for Children's and Adults Services and Resources, ensuring the progression and delivery of the actions required to achieve the financial targets contained in the agreed DSG Management Plan.

## **Governance issues in 2024-25**

6.3 During the year, the following governance areas have been identified, as summarised in Table 3 and discussed in paragraphs 6.3.1- 6.3.16.

### **Table 3: Summary of emerging governance Issues and actions taken**

Governance Issues 2024-25	Action	Section and paragraph
Housing – Social Housing Regulator	Housing Improvement Action plan in place following the Regulator of Social Housing inspection	6.3.1-6.3.7
Housing – Tenant Management organisations (TMOs)	Improved governance arrangements in place for TMOs	
Schools and Education	Keeping Education Strong strategy to right size the school estate and mitigate financial risk	6.3.8
Cyber Security	Ongoing mitigations to reduce the threat of cyber attacks	6.3.9
Enterprise Resource Planning (ERP) – Southwark360	Update on the replacement of the council's system for HR and Payroll and finance systems.	6.3.10-6.3.16

### *Housing – Social Housing Regulator*

6.3.1 The Social Housing (Regulation) Act 2023 created additional unfunded burdens on local councils. The Regulator of Social Housing (RSH) has adopted a proactive regulatory approach to health and safety of social housing with new consumer standards. Registered providers must identify and meet all legal requirements that relate to the health and safety of tenants in their homes, including electrical safety. Ahead of the planned inspection, the housing department performed a self-assessment to prepare for regulation, which showed that the council had been non-compliant in relation to electrical testing, prompting a self-referral to the Regulator.

6.3.2 The subsequent inspection in November 2024 of Southwark Council by the Regulator of Social Housing against the new criteria was a rating of 'C3', which means its "judgement is that there are serious failings in the landlord delivering the outcomes of the consumer standards and significant improvement is needed". In response to the inspection, the council has implemented a Housing Improvement Plan to review and enhance the governance and oversight arrangements. The Plan targets critical areas such as safety and compliance, repairs, damp and mould management, and fair housing allocations. The approach is structured around ten core principles, emphasising not only

immediate remediation actions but also longer-term systemic changes. These principles include enhanced data management systems, digital integrations, and more robust governance structures to ensure continuous monitoring and transparent reporting to residents, Members, the RSH and other stakeholders.

6.3.3 A transformation programme team has been created supported by cross-council teams from Finance, HR, IT, Public Health, and Strategy teams, with over £250 million investment allocated over 3 years to improve safety and quality. A report titled “Governance and Oversight of Housing Services” went to Overview & Scrutiny Committee on the 31 March 2025. This report sets out the governance and oversight arrangements for housing services, and the comprehensive programme of transformation work underway. An independent review of housing safety and compliance is also being commissioned, supported by senior officers.

#### *Housing – Management of Tenant Management Organisations (TMOs)*

6.3.4 Tenant Management Organisations (TMOs) play a pivotal role in delivering good landlord services. There have, however been, significant deficiencies in the management and governance of TMOs which have caused significant financial and reputational harm to the council and impaired the ability of TMOs to continue to provide high quality landlord services locally.

6.3.5 The council is implementing a financial governance process that allows for closer monitoring of the finances of the TMOs. This includes regular financial management accounts scrutinized by the TMO Governance Team, business planning training, and closer contact between the council and TMOs to ensure stricter governance.

6.3.6. To address identified weaknesses in TMO management and governance, the council has restructured the resident involvement service and created a specialist TMO Governance Team to focus on effective governance of TMOs from November 2024. A contract monitoring checklist and template have been developed jointly with the council's internal auditors and the Housing Department, providing a detailed audit checklist against which all TMOs are monitored. This ensures good governance and compliance with the Modular Management Agreement (MMA) and building safety compliance, especially for TMOs with high-rise buildings. Where gaps are identified, training and support are provided, followed by a detailed and comprehensive service improvement plan for the affected TMOs.

6.3.7 To address governance issues within TMOs, there is increased scrutiny of accounts with mandatory quarterly management accounts. TMOs are now required to provide yearly business plans and demonstrate their short to medium-term viability with empirical financial data. The financial health of TMOs is now a required agenda item at each TMO Management Committee/Board meeting, and the minutes recording decisions are reviewed regularly by the TMO Governance Team to identify trends and spot concerns early. The issues and actions have been reported to the Audit, Governance, and Standards Committee on 3 February 2025.

## *Schools and Education*

6.3.8 There is a London-wide issue of continuing decline of pupil numbers which led to a number of maintained schools experiencing financial difficulties due to the close link between pupil numbers and the funding. The council's Keeping Education Strong strategy has been working towards right sizing the school estate to ensure provision better matches need. As result of this strategy there has been a number of PAN (Published Admission Number) reductions, amalgamations and school closures across the borough over the last few years. The council remains at financial risk for any maintained schools that close with deficit balances. A joint board of Education Service and Finance officers has been working under a Licensed Deficit Framework to support schools in or at risk of entering a deficit, developing recovery plans to ensure financial sustainability.

## *Cyber security*

6.3.9 Attempted cyber-attacks are a significant and ongoing risk for local government. The council continues to mitigate the real threat of cyber-attacks as far as feasible. All staff are required to undertake mandatory training in cyber security and data protection. Permanent threat blocking and identification software is deployed throughout the internal ICT infrastructure and that of the council's shared service provider. Reporting on the effectiveness of these measures is provided to the council's Senior Information Risk Owner (SIRO) each quarter. Cyber risk testing also forms part of the council's procurement checks when inviting new suppliers to work with the council via a digital interface.

## *ERP (Enterprise Resource Planning)- Southwark360*

6.3.10 Southwark has used the current Enterprise Resource Planning (ERP) system 'SAP' for HR and Payroll, Finance and Purchase to Pay since 1999. The council is currently undertaking a procurement exercise to replace the existing system, with a modern integrated platform to perform core business processes. This is a major organisational transformation programme of systems, structure, culture, processes and procedures.

6.3.11. The Southwark360 programme has established a robust governance and organisation structure that facilitates, clear demarcation of roles and responsibilities, transparent channels of communication and escalation paths that enable strategic decision making and proactive measures for addressing challenges. To ensure robust financial management of the Southwark360 Programme, control processes are in place with monthly reporting of the overall financial position and ad-hoc, deep dive and challenge sessions on the Southwark360 Programme budget.

6.3.12. In addition, the programme has identified and mapped stakeholder groups as part of the development of business change, communication and engagement strategies, and to support the development of effective change management plans. Each workstream of the programme has one or more sponsors who are directors and strategic leads for the respective functional areas and are key stakeholder relationship owners.

6.3.13 The procurement strategy for the replacement of the ERP is for a fully integrated ERP solution which will require seven contracts ('Lots') for the individual aspects of the requirements. The general procurement approach for the programme was approved at June 2024 cabinet and all further decisions on individual contracts will be subject to cabinet approval to ensure robust decision-making and oversight.

The seven lots are set out as follows:

- Lot 1 – Vendor – provider of the software licenses and technology platform
- Lot 2 – Systems Implementer – provider to undertake solution design, software and technical configuration and implementation
- Lot 3 – Business Change – provider to effect the business and organisational change required for successful adoption of the new system
- Lot 4 – Data Migration – delivery of the data migration strategy, including moving data from the existing SAP system and other systems to the new system, as well as moving data from the legacy systems to the archiving system
- Lot 5 – Reporting – development of business intelligence reports and dashboards, including statutory and regulatory reports and data extracts.
- Lot 6 – Data Archiving – provider to implement storage for data that must be retained from legacy systems
- Lot 7 – Support Partner – who provides managed support and maintenance for the new system

6.3.14. The main contract (Lot 1) was awarded in March 2025, to SAP S/4HANA. Lots 2-5 have been through evaluation and moderation and a completion date expected in August 2025. Lot 6, is scheduled to commence in October 2025 and Lot 7 will commence early 2026 with a contract signature date planned for Spring 2026.

6.3.15 The programme has engaged the transformation team, subject matter experts and key users to define and agree requirements, undertake evaluations of contract bids and to ensure a robust, fair and compliant procurement. External legal and procurement expertise has been secured to bolster and assure the procurement, and to mitigate risks related to its complexity. The Programme Director of the Southwark 360 Programme regularly meets with the Programme Director of Future Southwark to ensure Programmes are aligned, especially where there are cross cutting programmes, interdependencies e.g. developing future operating models alongside systems development changes. In addition, the Southwark 360 programme team regularly reports on its progress, issues,



key risks and benefits to the Southwark 360 programme board. Programme updates are also fed back corporately and reported to the CTEB (corporate transformation and efficiencies board) alongside the council's wider transformation agenda.

6.3.16. The council is currently at the mobilisation phase, where key activities such as data cleansing, and the mapping of processes and procedures is being undertaken ahead of the start of the implementation phase in late 2025. The entire programme of work is expected to be delivered by the end October 2027.

## Areas of significant change – looking forward to 2025-26 and the medium term

6.4 The council faces several areas of significant change that will require consideration and action as appropriate in 2025-26 and the medium-term. Significant issues that have been identified are summarised in Table 4 and discussed in paragraphs 6.4.1.

**Table 4: Looking forward to 2025-26 and the medium term**

Areas of Significant Change 2025-26	Action	Section and paragraph
Macro-economic outlook and impact on local government	The council's medium term financial strategy is set with prudent assumptions on future resources and updates reported regularly to cabinet	6.4.1-6.4.5
Local Government Reform	Central government plans to reform local government	6.4.6 -6.4.8
Statutory changes to Procurement	Action plan for implementing the new procurement regulations	6.4.9-6.4.11
Ongoing governance review	Continuous approach to improving governance	6.4.12-6.4.14

### *Macro-economic outlook and impact on local government*

6.4.1 In the Spring Statement 2025, the Chancellor, Rachel Reeves, set out a 'new era of security and national renewal' aimed at kick-starting growth, protecting working people and keeping Britain



safe. The changes made from the Autumn statement were designed to address the deterioration in the economic outlook and to maintain the fiscal headroom. The Institute for Fiscal Studies (IFS)<sup>7</sup> commented that as the headroom remained small, the renewed forecasts were sensitive to any small changes in productivity or economic growth. The substantive changes made were an increase in defence spending funded from the overseas aid budget, a change to working age benefits, and planning reforms to deliver a boost to housebuilding and economic growth.

6.4.2. In April 2025, President Trump announced a significant increase in trade tariffs, imposing a minimum 10% tariff on all U.S. imports, with higher tariffs on imports from 57 specific countries. The tariffs are expected to have profound economic and trade implications affecting the global economy. The announcement led to heightened volatility in the stock market and increased economic uncertainty. The overall impact on local government is uncertain, and is multifaceted, potentially affecting costs, budgets, and the economic environment. This presents another challenge for local government to plan and maintain fiscal stability while continuing to provide essential services to their communities.

6.4.3 The spending review has been conducted in two phases. The first phase, part of the Autumn Budget, set out spending plans for the financial year 2025-26 and provided additional funding for some departments in the current financial year. This showed an average real terms increase overall of 3.1% in 2025-26, dropping to 1.3% in the following three years, presenting a challenging financial environment for unprotected departments, such as local government. Rachel Reeves warned of "tough trade-offs" indicating that the government will need to prioritise between competing pressures on resources. This could mean budget cuts for some departments to meet the government's broader fiscal goals.

6.4.4. The IFS<sup>8</sup> suggested in 2024, that the macroeconomic climate in the medium term would be challenging for any incoming government with limited options for improvement without greater than expected growth in national income per capita. Prior to the election the IFS predicted that real growth per person of 1% over all public services to 2028-29, translated to cuts of up to 3.5% per year in unprotected areas, such as local government. With population estimates rising more than expected the pressure on public budgets per person might be even higher.

6.4.5. Rachel Reeves multi-year spending review in June 2025, outlined the government's departmental spending plans from April 2026 to March 2029 (Phase 2). It provided a comprehensive and strategic framework for public spending, balancing immediate needs with long-term goals for national development. Local government core spending is set to increase by 3.8% in 2026-27, 1.9% in 2027-28 and 2.2% in 2028-29, with the assumption that council tax bills will rise by 5% each year.

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<sup>7</sup> [Spring Statement 2025 | Institute for Fiscal Studies](#)

<sup>8</sup> [Spring Budget 2024: IFS presentations | Institute for Fiscal Studies](#)

The council's medium term financial strategy has been updated to reflect this announcement and will be reported to July 2025 cabinet.

### *Local Government Reform*

6.4.6. The [English Devolution White Paper](#) set out the government's vision for simpler local government structures, setting out a path to rebuild and reform local government and facilitating a programme of local government reorganisation for two tier areas and for unitary councils where there is evidence of failure or where their size of boundaries hinder the ability to deliver sustainable and high quality public services. The goal is to have universal coverage of Strategic Authorities and to reset the relationship between central and local government. While London councils are not part of the current structural reorganisation proposals, the White Paper indicates the direction of travel for local government, suggesting that changes may occur in the future.

6.4.7 In December 2024, the Government announced that from 2026-27 it would introduce a new assessment of need and resources, building on the framework set out in the previous government's review of Relative Needs and Resources (originally Fair Funding Review). Part of this review is the planned reset of the business rates retention system, set to take effect from April 2026. This reset aims to update the assessment of how much business rates are available, ensuring that the income retained by local authorities is allocated to the areas that need it most. This is a major funding reform for local government, which is likely to see large movements to funding levels for individual local authorities. Whilst the impact of these reforms and movements in funding between local authorities will likely be subject to a 3 year transitional period, there is a longer term risk of funding reductions.

6.4.8 The July 2025 cabinet report will update the Medium Term Financial Strategy (MTFS) and present an initial view up until 2030. An early assessment of the impact of all these changes will be included in the cabinet report. The report will also highlight any areas where there is a potential risk of overspend in the current year, 2025-26 and provide updates on the progress of delivering savings and the transformation savings programme.

### *Statutory Changes to Procurement*

6.4.9 The Procurement Act 2023 came into effect in February 2025 accompanied by the [National Procurement Policy Statement \(NPPS\)](#). The NPPS sets out the strategic priorities to enable public procurement to support the UK government's broader missions such as 'Delivering Value for Money' and 'Driving Economic Growth'. The NPPS mission statements cover four priority areas and include eight key statements that all contracting authorities, including Southwark Council, should adhere to.

6.4.10 The Procurement Act has introduced a requirement for greater transparency in the planning, defining requirements and then procuring and managing contracts that are covered under the legislation. Included within this is the mandated publication of a pipeline of future contracts that are

over £2m in value. The Procurement Act also includes many new requirements in relation to the publication of notices for transparency, contract details and performance for applicable higher value contracts (over £5million) for the first time. It also introduces new obligations to consider opportunities for, and barriers to entry, for SME (Small and Medium-sized Enterprises) organisations in relation to procurement opportunities. As part of refreshing the Procurement Framework and development of the Social Value Framework, the council is exploring ways to support local Small and Medium Enterprises (SMEs) to build relevant tendering capabilities and skills, including a one-year pilot to support Small and Medium Enterprises to tender for public sector contracts (due to launch in late spring / early summer 2025).

6.4.11 The procurement framework for Southwark has been reviewed to align with the new procurement regulations and the corporate vision outlined in the Southwark 2030 strategy. The council has assessed these eight statements alongside the principles and goals of the Southwark 2030 strategy and developed an action plan for implementation. The changes introduced by the Procurement Act will necessitate adjustments to the council's procurement governance arrangements. A detailed work plan with key milestones has been established to ensure that all requirements are fully embedded into the council's processes by 2025-26.

#### *Ongoing governance review*

6.4.12 As discussed above, the council continues to commit to a shared long term vision of the future through Future Southwark and Southwark 2030. The Future Southwark programme will continue through Phase II in 2025–26, focusing on delivering the vision and goals set out in the Southwark 2030 strategy. This includes continued work on council culture, skills, accommodation, and service delivery models which will be overseen by the Corporate Transformation and Efficiencies Board (CTEB) to ensure delivery and integration across departments. The role of the CTEB is to continue providing strategic oversight of the Future Southwark Programme and cross council transformation activity. Integrated reporting on key council change programmes has been established to ensure that the organisation understands the synergies between programmes, is assured of delivery, develops connections and supports cross council collaboration.

6.4.13. The fundamental purpose of this work has been to shift to a whole-organisation approach around three themes;

- How we work; the approaches, tools, policies, values, ways of working and behaviours that we will need for the future
- Where we work; making sure we have fit for purpose places for work, and that they are professionally managed and maintained.
- Our skills for work; the skills, teams, methods and infrastructure that we need to be fit for the future.

6.4.14 Phase II will also focus on delivering corporate, cross-cutting savings through the Future Southwark programme. This includes targeted workstreams in areas such as corporate real estate, procurement and third-party spend, income maximisation, business resource redesign, workforce management, and digital transformation. These initiatives will be supported by a structured benefits realisation framework and tracked through robust governance processes, including oversight by CTEB. Savings delivery will depend on the pace of implementation, quality of data, and alignment with organisational priorities. Business cases and sourcing plans will be brought forward in stages, with quick wins anticipated in some areas.

## Conclusion

7.1 This annual governance statement has reviewed the actions and outcomes that have taken place in 2024-25 and identified areas for review in future years, all set against a challenging set of external factors including the wider macroeconomic climate. Additional assurances, transformation and improvement plans have proactively been put in place to ensure that Southwark council remains resilient and ensures robust governance arrangements are in place to meet future challenges and changes.

7.2 The council is satisfied that appropriate governance arrangements are in place. Over the coming year it is proposed that steps are taken to address the matters identified above to further enhance the council's governance arrangements in these challenging times.