

Southend-on-Sea Borough Council Annual Governance Statement – 2014/15

1. Scope of responsibility

- 1.1 Southend-on-Sea Borough 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.
- 1.2 In discharging this overall responsibility, the Council is responsible for ensuring the proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk, are in place. This responsibility extends to satisfying itself that any wholly owned subsidiary companies also have robust governance arrangements in place. To this end South Essex Homes has produced its own Annual Governance Statement which is included as part of this statement (Appendix 3).
- 1.3 Southend-on-Sea Borough Council has approved and adopted a Local Code of Governance (the Code), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority's code is part of the Council's constitution and is available on the Council's website at www.southend.gov.uk/constitution or can be obtained from the Policy, Engagement and Communications Team, Civic Centre, Victoria Avenue, SS2 6ER.
- 1.4 This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 4 of the Accounts and Audit (England) Regulations 2011 in relation to the production and publication of an Annual Governance Statement.

2. The purpose of the Governance Statement

- 2.1 The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 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 on-going 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.

2.3 The main governance framework has been in place at Southend-on-Sea Borough Council for the year ended 31 March 2015 and up to the date of approval of the annual report and statement of accounts.

3. The Council's Governance Framework

3.1 The governance framework ensures the Council's vision and key priorities are effectively promoted and progressed through its corporate governance arrangements and business planning processes. The key elements of the governance framework are as follows:

- Community Engagement
- Business Strategy and Planning
- Financial Reporting including Budgetary Control and Asset Management
- Policy Framework
- Risk Management including Fraud and Corruption
- Health and Safety
- Business Continuity
- Asset management
- Performance Management
- Data Quality
- Information Management and Security
- Value for Money
- Procurement
- Project Management
- Complaints
- Codes of Conduct for Members and Staff
- Workforce management
- The operation of Cabinet, Scrutiny Committees, Audit Committee and the Standards Committee.

3.2 These areas form the main sources of assurance to be considered in any review of the Council's governance arrangements.

3.3 The Corporate Director for Corporate Services has the responsibility for overseeing the implementation and monitoring of 'The Code', through a process which includes:

- Regular reports to the Corporate Management Team and the Audit Committee which set out:
 - weaknesses identified in the governance arrangements and
 - any corrective action necessary to resolve concerns identified;
- An annual review of the governance framework supported by managers assurance statements certified by Heads of Service and Corporate Directors;
- An annual report to the Corporate Management Team and the Audit Committee on the adequacy of governance arrangements and
- An annual review of 'The Code', with any significant amendments being reported to the Audit Committee, endorsed by Cabinet and approved by Council.

3.4 The Council's key governance and business planning processes are also subject to audit on a risk basis. Such work completed during the year forms part of the evidence in support of the Head of Internal Audit's annual opinion on the adequacy

and effectiveness of the Council's system of internal control.

- 3.5 Key elements of the Local Code of Governance are outlined below:
- 3.6 The Council's Monitoring Officer is responsible for the maintenance of the Constitution and for reviewing its relevance and effectiveness, ensuring that it is fit for purpose at all times. Any changes to the Constitution are approved by full Council.
- 3.7 The Council operates with a Cabinet and strong leader model of governance. Cabinet is responsible for the majority of functions of the Council within the budget and policy framework set by full Council. Executive decisions are taken by the Cabinet collectively or by officers acting under delegated powers, depending upon the significance of the decision being made. For urgent issues, the chief officer can take a decision in conjunction with the portfolio holder.
- 3.8 Decisions made by the Cabinet may be called in to a scrutiny committee in accordance with the provisions of the Scrutiny Procedure Rules. A decision made by Cabinet can be called in by any two Members with written notice given to the Chief Executive within five working days from the date of publication of the digest.
- 3.9 The Council has three scrutiny committees which review and scrutinise proposed decisions in their respective areas of responsibility – People, Place and Policy & Resources. The committees will review and scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions. In accordance with the Health and Social Care Act 2012, the People Scrutiny Committee also scrutinises health matters.
- 3.10 Since May 2012 the Council has operated an enhanced pre-Cabinet scrutiny system where scrutiny and opposition Members are given opportunities to contribute to and offer advice on key decisions prior to consideration by Cabinet. This is achieved by reports to Scrutiny Committees and the outcomes of cross party working groups.
- 3.11 The Council has a Standards Committee to promote and maintain high ethical standards of conduct for elected and co-opted Members. A key role of the Committee is to help elected and co-opted Members to observe the Members' Code of Conduct and to monitor the effectiveness of the Members' Code of Conduct. The Standards Committee also deals with formal complaints against Members.
- 3.12 The Council operates a development and training programme for Members to help support them in their strategic roles.
- 3.13 A local authority has a duty to ensure that it is fulfilling its responsibility for adequate and effective risk management, control and governance. To this end, the Council has in place an Audit Committee. The Audit Committee has a key role in overseeing and assessing the risk management, control, and corporate governance arrangements and advising the governing body on the adequacy and effectiveness of these arrangements.
- 3.14 The Council's major policy objectives and priorities are detailed in the Corporate Plan and Annual Report. The plan articulates the authority's vision, is subject to regular progress review, and is approved by the Corporate Management Team, Cabinet, and Council.

- 3.15 The Corporate Plan and Annual Report is underpinned by detailed service plans which are monitored monthly by Departmental Management Teams. In addition, a monthly performance report outlines key performance indicators that underpin the Council's corporate priorities and corporate priority actions. This is monitored by the Corporate Management Team, Cabinet, and each Scrutiny Committees.
- 3.16 Financial monitoring reports are produced on a monthly basis and form part of the Council's Monthly Performance Report. Reports detail explanations of variance from budget and identify a projected outturn for the year and are considered by Cabinet and the Scrutiny Committees. A three year Medium Term Financial Strategy is refreshed annually and is driven by the priorities agreed by the Council and outlined in the Corporate Plan and Annual Report.
- 3.17 The Corporate Risk Register is formally reviewed and reported upon each quarter to the Corporate Management Team, and to the Audit Committee half yearly. Departmental risk registers are reviewed regularly by Departmental Management Teams.
- 3.18 The Council engages with its communities and its arrangements are formulated within a Consultation and Engagement Strategy. Consultation and engagement activity and the results of this activity are reported and integrated into service planning and delivery.
- 3.19 The Council has a Health and Safety Policy, with an accompanying action plan that is reviewed each year and overseen by the Strategic Health and Safety Group, chaired by a Corporate Director, which has assisted the Council in reaching Level 5 out of 5 on the RoSPA (Royal Society for the Prevention of Accidents) assessment.
- 3.20 A complaints procedure and a whistle-blowing policy are maintained and kept under review to enable issues to be raised by public, staff, Councillors and co-opted Members when they feel appropriate standards have not been met. A report analysing complaints, comments and complements is submitted to Cabinet and Council annually.

4. Role of the Chief Financial Officer

4.1 The Chief Financial Officer (CFO) occupies a key position in the Council, managing the Councils' finances and ensuring that resources are used wisely to secure positive results. In order to support the post holder in the fulfilment of their duties and ensure that the Council has access to effective financial advice, in 2010 the Chartered Institute of Public Finance Accountants (CPIFA) issued a Statement on the Role of the Chief Financial Officer in Local Government. The statement:

- Sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in the carrying out of their role and
- Includes five key principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them.

These principles are:

- The CFO in a local authority is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;

- The CFO in a local authority must be 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 aligned with the authority's overall financial strategy;
- The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively;
- The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose and
- The CFO in a local authority must be professionally qualified and suitably experienced.

4.2 The Council has the necessary arrangements and procedures in place which ensure that these principles are complied with. This is through a combination of direct compliance by the CFO and, where not directly complied with, there are alternative procedures in place to ensure that the necessary outcomes and objectives are still achieved and suitable controls are in place. For example, this may include deputising arrangements and delegated authority for financial management in the clearance of relevant Member reports.

5. Review of effectiveness

- 5.1 The 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 Corporate Directors and Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, by comments made by external auditors and other review agencies and inspectorates and by a governance self-assessment reviewed by the Good Governance Group.
- 5.2 The May 2014 Council elections resulted in a new joint administration of Independent, Labour and Liberal Democrat councillors, the first significant change in political control of the Council for 14 years. The elections also saw the election of five UKIP councillors. This resulted in an orderly change of political control with the Council's decision making process proving effective throughout the year. A joint administration agreement and commitments for 2014/15 was adopted by the Council in July 2014, providing a high level policy framework for Council officers and members to work to.
- 5.3 Nine issues were subject to pre-Cabinet scrutiny through reports being considered by a Scrutiny Committee during 2014/15, with other issues (such as the future provision of secondary school places) considered through working parties. All budget items were referred directly to the three scrutiny committees. There were 26 'call-ins' during the year, 17 of which were for the Place scrutiny committee. Three 'in-depth' scrutiny reviews were undertaken: 'understanding erosion of the foreshore'; the Council's community leadership role in promoting safer communities and 'how the Council assists and excites individuals and community groups to achieve healthier lifestyles'.
- 5.4 A revised and enhanced member development programme was undertaken for 2014/15, with an extensive induction programme for new members. The member induction included: sessions on service areas, getting the most from ICT, a bus tour

of the borough and one to one briefings on Member Code of Conduct with the Monitoring Officer. Information packs with key sources of information were also made available, along with a dvd outlining the role of a councillor, and key information available via the Council's e-learning portal (SPARK). In total, 39 member training sessions were held during the year on a range of subjects, which included development control, licensing, safeguarding and corporate parenting.

- 5.5 The Health & Wellbeing Board (HWB) has continued to develop, building on and implementing the recommendations from the January 2014 LGA Peer Review. It successfully established and oversees the governance arrangements for Southend, A Better Start (Big Lottery funding for the early years fulfilling lives programme). The HWB, through the Joint Executive Group (JEG), has further developed in overseeing the delivery of the health and social care integration Pioneer Programme and Better Care Fund (BCF). The Council and Southend Clinical Commissioning Group established a Section 75 partnership agreement, to support the delivery of the BCF, allowing pooled budgets and integration between health and social care organisations.
- 5.6 The Council continues to review and adjust staffing structures to meet budgetary requirements and to align services appropriately. To further progress the integration of health and social care commissioning, shared joint integrated commissioning arrangements with the Southend CCG have been put in place. This includes, from 1 April 2015, a new Joint Associate Director of Integrated Care Commissioning to drive improved outcomes for service users and drive efficiency. The housing function was aligned to the Head of Adult Services from 1 April 2015.
- 5.7 The senior management structure was reviewed in 2013 and the Council agreed to create a People department (previously two separate departments for Adults and Children). As part of this review a full risk assessment was undertaken and it was agreed that the new arrangements would be revisited after two years to ensure that the new structure had not impacted adversely on outcomes for vulnerable people. This two year review took place in January 2015. Performance and employee related data was examined and interviews held with a number of staff and stakeholders across the department. Findings revealed that performance in all areas had been maintained or improved - against a backdrop of continued reductions to base budgets. These outcomes (and actions arising) have been discussed and agreed with the Chief Executive and the Corporate Director for People.
- 5.8 The Council's approach to information management is reviewed each year in respect of completing the Health and Social Care Information Centre Information Governance toolkit, enabling organisational assessment against Department of Health information governance policies and standards. The Council achieved Level 3 (the highest possible) against the required standards. The Department of Health continues to use the Council as a reference site for its work on health and social care integration and the Information Commissioner's Office continues to use the Council as a reference authority in relation to its work in processing Subject Access Requests.
- 5.9 Revised Articles of Association and Code of Governance for South Essex Homes (Arms Length Management Organisation (ALMO), with a reduction in the size of its board from 15 to 10, a strengthening of client monitoring arrangements were introduced in May, 2014, along with the establishment of a new SEH commercial subsidiary, Atilius Ltd. The South Essex Homes Annual Governance Statement is

attached at Appendix 3.

- 5.10 A revised Scheme of Delegation for the Governance of Southend Adult Community College was approved by Cabinet in September 2014
- 5.11 The Good Governance Group of senior managers met quarterly to review the Council's governance arrangements to ensure they are fit for purpose and comply with good practice requirements and ensure that sufficient assurance is available throughout the year to support the production of the Annual Governance Statement.
- 5.11 Service reviews and other assessments have identified areas requiring an update to the Council's contract management framework. Work to address these areas is progressing, in relation to:
- Updating the Council's Financial Regulations
 - Updating the Council's Contract Procedure Rules
 - Updating the Council's Procurement Strategy and Toolkit.
 - Implementing a new e-procurement system
 - Collating Council contracts and related documentation.
 - Developing performance information to assess compliance with Contract Procedure Rules
- 5.12 The Corporate Management Team has undertaken a review of the Council's corporate risk management arrangements, resulted in an update policy and toolkit for use by council staff.
- 5.13 Regular reviews of the recommendations made are addressed by the Head of Service and Departmental Management Team and subsequently as part of the summary audit progress reports to Audit Committee on a quarterly basis.
- 5.14 Progress on actions to enhance governance arrangements arising from the 2013/14 Annual Governance Statement were reported to Audit Committee during the 2014/15 financial year, with relevant outcomes against the action.
- 5.15 The Council continued to explore new models of service delivery, for example, the future of care provision in relation to the Priory and Delaware care homes and the establishment of an energy trading company. The Council will continue to explore these and other similar opportunities further.

6. Internal Audit

- 6.1 The annual risk based audit plan was prepared in consultation with Corporate Directors and the Audit Committee. The audit plan was substantially delivered with reports issued to senior managers at the conclusion of each audit highlighting internal control weaknesses identified and the actions required to address them. Recommendations were also reviewed to ensure they were implemented properly, by the due date. Periodically summary audit progress reports were taken to Corporate Management Team and the Audit Committee.

6.2 Head of Internal Audit Opinion

The Head of Internal Audit annual report and opinion for 2014/15 was considered by the Corporate Management Team and the Audit Committee in June 2014. This stated that:

'A key responsibility of managers at all levels is to satisfy themselves that significant risks are being mitigated to an acceptable level and service objectives are achieved.

Where audits identified the need for improvement this year, the common theme was managers needing to ensure clear understanding of the:

- day-to-day actions taken by their staff; and or*
- suite of 'management information' needed to inform them of key actions taken by staff and performance achieved; and or*
- checks and balances needed in day-to-day activity to reduce the chance of error, omission or fraud.*

In recent years, the Council has gone through restructures and changes in management responsibilities in dealing with the financial constraints experienced. It is opportune for the Council to confirm that risk and performance continues to be managed effectively, day-to-day, by operational managers, in support of the delivery of service objectives.

Otherwise the design and operation of the Council's risk management, control and governance framework is considered to be satisfactory.

The service has substantially conformed to the relevant professional standards throughout the year'.

6.3 External audit has confirmed it can rely on Internal Audit's financial systems work to support of the financial accounts audit. Internal Audit continue to be able to demonstrate that its audit approach complies with relevant professional standards. The annual self-assessment is subject to independent challenge to confirm the assessment is realistic and supported by appropriate evidence.

7. External Audit

7.1 External Audit is undertaken by BDO LLP which annually concludes whether:

- The financial statements give a true and fair view of the Council's financial affairs;
- The Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources;
- The arrangements for preparing grant claims and other returns to Government departments are operating effectively and
- Grant claims reviews are accurate and prepared in accordance with the relevant terms and conditions.

7.2 Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Annual Governance Report or the Grant Claim Certification Report. The external auditors attend meetings of the Audit Committee and provide

a progress report on their recommendations at each meeting. The Report of the External Auditor was presented to the 14 January 2015 Audit Committee.

8. External Inspections

8.1 Assurance over the control environment is also obtained from external inspections and assessments of service areas. External assessments for 2014/15 included:

- Investors in People accreditation by UK Commission for Employment and Skills, awarded Gold Status.
- 9 Ofsted Inspections of Southend schools:
 - Primary/Infant & Junior: 4 Good, 2 Require Improvement
 - Secondary: 1 Outstanding, 1 Good
 - Special: 1 Good
- Southend Adult Community College has also been rated as 'Good' by Ofsted.
- 2 Children Centre inspections: 1 Good, 1 Requires Improvement

8.2 These along with other external assessments, provide further independent assurance of governance arrangements and the quality of service provision. The Council is also regularly recognised through industry awards such as:

- The borough has been awarded Purple Flag status for a further two years in recognition of its safe and well-managed night-time economy.
- The borough was awarded a four star rating at the Clean Britain Awards for its level of community involvement and team effort in keeping the town clean.
- Southend won the Love Essex anti-littering campaign 'Diamond Jubilee Partnership Award' at the 2015 Keep Britain Tidy Awards.
- The Council's planning management team won Development Management Team of the Year award in the Planning Resource magazine's planning awards.
- The Council was ranked 67th in the top 100 in Stonewall's workplace equality index and ranked 9th highest local authority and 16th out of 45 local authorities in the Stonewall Education Equality Index.

9. Conclusion

9.1 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

9.2 Actions to be specifically addressed are outlined below.

Further Actions to strengthen the Council's governance arrangements for 2015/16

No	Area	Action	Date of Implementation	Responsible Officer
1.	Contracts Management Framework	<p>That the Council continues to update the contract management framework, including:</p> <ul style="list-style-type: none"> - Updating the Council's Financial Regulations. - Updating the Council's Contract Procedure Rules - Updating the Council's Procurement Strategy and Toolkit. - Implementing a new e-procurement system - Collating and recording Council contracts and related documentation. - Developing performance information to assess compliance with Contract Procedure Rules 	Mar 16	Simon Leftley Sally Holland
2.	Staff Code of Conduct	To introduce and embed a new staff code of conduct that reflects the current needs of the council and encompassing standards required of staff in relation to personal conduct, declarations of interest, political neutrality, gifts and hospitality, use of social media and procuring/managing contracts, among others.	Mar 16	Sally Holland/ Joanna Ruffle

Significant Governance Issues

We propose over the coming year to take steps to address the above matters to further enhance 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.

ROB TINLIN
CHIEF EXECUTIVE
DATE:
ON BEHALF OF THE AUTHORITY

COUNCILLOR WOODLEY
LEADER OF THE COUNCIL
DATE:

DRAFT

APPENDIX 2

SBC Corporate Governance Actions – 2014/15 – Progress

No.	Governance Issue	Action 2014/15	Responsible Officer	Comment on Progress
1.	Business Continuity Planning	Undertake testing of the Council's revised business continuity processes to ensure arrangements are sufficiently resilient.	Sally Holland	<p>A Business Continuity Planning exercise was held on 1 October 2015 to test the Council's crises management arrangements. Using a scenario requiring the Command/Gold Team to respond to a business continuity incident, the outcome report found that: 'the response to the scenario was managed professionally, with strong leadership, focusing on protection of people, property and maintenance of critical business activities'. A number of follow up actions were identified which are being taken forward.</p> <p>In addition, Business Impact Assessments were completed for all service groups. Service level and departmental plans produced and the Corporate Business Continuity Plan updated.</p>