

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Chief Executive & Town Clerk

to

Audit Committee

on

29 June 2016

Report prepared by: Tim MacGregor, Team Leader - Policy &
Information Management

Annual Governance Statement 2015/16

Executive Councillor – Councillor Lamb

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present to Audit Committee the Annual Governance Statement for 2015/16 together with actions for 2016/17 and an update on progress made with the 2015/16 action plan.

2. Recommendation

- 2.1 **That Audit Committee approve the Annual Governance Statement for 2015/16, subject to any further views expressed by External Audit and recommends it to the Leader of the Council and Chief Executive for authorisation and signature.**

3. Background

- 3.1 The responsibility for ensuring that there is a sound system of internal control rests with the Council. It is required to report on this annually via its Governance Statement which is published with the Council's annual statement of accounts.
- 3.2 In order to do this, the Council should seek regular assurance that its systems of internal control are functioning effectively. It should also ensure that the system of internal control is effective in managing significant risks in the way that it would expect.
- 3.3 The Council has delegated responsibility for monitoring and reporting on the adequacy and effectiveness of its system of internal control to the Audit Committee.
- 3.4 The Annual Governance Statement 2015/16, including the action plan for 2016/17 is attached at **Appendix 1**. Progress against the 2015/16 action plan is attached at **Appendix 2**.
- 3.5 The Annual Governance Statement for South Essex Homes (SEH) was considered by the SEH Audit Committee on 16 May, for recommended approval by the SEH Board on 25 July 2016 and is reported elsewhere on the agenda

(item 5).

3.6 In appraising the Annual Governance Statement members of Audit Committee should take into account:

- That the Audit Committee has acted in accordance with its terms of reference, that members attendance was regular and that training and development of members was undertaken to enable them to fulfil their role.
- That the statement reflects the evidence seen by members during the course of their duties and that it reflects their experience in undertaking other roles as Councillors, including as members of Scrutiny Committees.

3.7 Managers Assurance Statements have been produced by all Heads of Service as a self-assessment of whether the council's key business management processes have been operating effectively and consistently across 15 key business management processes. These have been assessed against four assessment levels, 'High, Satisfactory, Partial and Minimal'. A summary of the findings is attached at **Appendix 3**.

3.8 The Council's Good Governance (officer) Group has undertaken a review of the Council's governance processes against the Cipfa/Solace six core 'principles of good governance' outlined in their 'Delivering Good governance in local government framework 2012' to help inform the AGS. The Good Governance Group will continue to review and update this self-assessment as part of the evidence considered by the group to highlight areas of governance for potential further focus and/or good practice.

4. **Further governance issues**

The Council continues to face a range of challenges in relation to future governance arrangements as a result of the changing landscape of local service delivery, national/local government relationships and new funding arrangements. For example, the Council is increasingly having to achieve its aims with, or through partnership bodies, agencies or other service delivery vehicles. Some of these challenges include:

- The Government's devolution agenda and the work across Essex, Southend and Thurrock on a Greater Essex proposition. In late May 2016 the 15 councils in Essex voted by 8 votes to 7 against pursuing a devolution bid which involved a directly elected mayor. Southend Council voted against. All 15 Councils voted to continue to pursue devolution opportunities.
- The Chancellor announced in his 2016 budget that Michael Heseltine will lead a 'Thames Estuary 2050 Growth Commission', to develop an ambitious vision and delivery plan for North Kent, South Essex and East London up to 2050, with a view to reporting back at the Autumn Statement 2017.
- The development of the South Essex Growth Partnership, led by local business and comprising South Essex local authorities, including Southend-on-Sea BC and replacing the former Thames Gateway South Essex Partnership, to promote economic growth in the area.

- The proposal by Southend and Thurrock Councils to pursue and develop opportunities for growth in South Essex and across the Estuary.
- Working with the South East Local Enterprise Partnership (SELEP) business led, public/private body established to drive growth across East Sussex, Essex, Kent, Medway, Southend and Thurrock.
- The closer integration of health and social care. This is reflected in the health and social care integration Pioneer Programme, the Better Care Fund and the integrated health and social care commissioning arrangements, including the joint commissioning team with Southend Clinical Commissioning Group.
- The Government's desire to move schools towards academy status and other measures outlined in the Education Excellence Everywhere White Paper (even allowing for the decision to withdraw the requirement for all schools to become academies) will see a changing role for the Local Authority over time. The Authority will still retaining a range of significant duties, especially in relation to school places and supporting vulnerable learners.
- The proposed 'Bus Bill' which will enable councils to set standards for ticketing, branding and frequency of services and the ability to apply for new powers to franchise services (a power which will be granted to combined authorities with directly elected mayors).
- The continuing trend to multi-party politics, confirmed by the 2015 general and recent local elections, and reflected by the lack of any one group having an overall majority on the Council since May 2014.

5. Revised Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (Solace) Good Governance Framework

- 5.1 The 2012 Cipfa/Solace Good Governance in Local Government framework has been updated and significantly revised. The new framework is intended to reflect the International Framework for Good Governance in the Public Sector, as well as on-going financial constraints, new ways of working and it aims to be more outcome focussed. This will mean that the 2016/17 Annual Governance Statement will be undertaken against the new framework and, in particular, seven new principles rather than the current six core principles.
- 5.2 The framework provides the following definition of governance:
'Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved'.
- 5.3 It states that to deliver good governance:
'both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times'.
- 5.3 The seven new principles are:
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the law.

B. Ensuring openness and comprehensive stakeholder engagement.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.

F. Managing risks and performance through robust internal control and strong public financial management.

G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

Principles A and B provide the overarching requirements for acting in the public interest, while principles C to G focus on the implementation of governance and achievement of outcomes.

- 5.4 The Council will, therefore, need to revise its current Local Code of Governance to reflect the new framework and a report on this will be presented to a future Audit Committee.

6. Corporate Implications

6.1 Contribution to Council's Aims and Priorities

Operating robust governance arrangements contributes to the delivery of all Council aims and priorities.

6.2 Financial Implications

All officers have been required to adopt robust financial management arrangements within their service areas.

6.3 Legal Implications

Accounts and Audit (England) Regulations 2011 Section 4 requires that the relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.

The findings of the review must be considered by Council or by a committee. Following the review, the body or committee must approve an annual governance statement prepared in accordance with proper practices in relation to internal control.

Proper practice in this sense is defined as guidance issued by the relevant professional body, which for local government is the CIPFA / SOLACE Framework This requires local authorities to produce a Local Code of Governance and sets out the operational framework that it should adopt.

Therefore, the work undertaken to support and produce the Annual Governance Statement satisfies the requirements of the Accounts and Audit (England) Regulations 2011.

6.4 People

All Members and staff have been required to adopt the principles and values outlined in the Local Code of Governance and staff ensuring the business management processes required within their service areas are applied.

6.5 Property Implications

All services have been required adopt proper processes in managing their assets.

6.6 Consultation

The Corporate Management Team has agreed all supporting reports and the Annual Governance Statement.

6.7 Equalities Impact Assessment

This has been reflected in the principles, values and business management processes adopted.

6.8 Risk Assessment

Failure to operate robust governance arrangements can potentially lead to poor management, performance, stewardship of public money, public engagement and ultimately, poor outcomes for citizens and service users. It increases the risk that corporate priorities won't be delivered.

6.9 Value for Money, Community Safety Implications and Environmental Impact

These have been reflected in the principles, values and or business management processes adopted.

7 Background Papers

7.1 Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Delivering Good Governance in Local Government - Framework.

7.2 Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Guidance Note for English Authorities – 2012.

7.3 The CIPFA Finance Advisory Network, The Annual Governance Statement, meeting the requirements of the Accounts and Audit Regulations 2003, Incorporating Accounts and Audit (Amendment) (England) Regulation 2006, Rough Guide for Practitioners.

7.4 The Accounts and Audit (England) Regulations 2011.

7.5 Cipfa/Solace – Delivering Good Governance in Local Government Framework:

8 Appendices

Appendix 1 - Annual Governance Statement 2015/16 incorporating the corporate Governance Action Plan 2016/17.

Appendix 2 - Corporate Governance Action Plan, 2015/16, progress report.

Appendix 3 - Summary of Managers Assurance Statements for 2015/16