

## South Essex Homes Annual Governance Statement 2015/16

### 1. Scope of responsibility

#### South Essex Homes

South Essex Homes (SEH), formed in October 2005, is the Arm's Length Management Organisation of Southend-on-Sea Borough Council, responsible for the management and maintenance of the Council's homes. It was financed by a Management Fee in 2015/16, from the Council, of £9,264k together with income from external organisations of £677k.

There is a formally binding Management Agreement between the Council and SEH and this clearly sets out the governance arrangements that should apply between the two parties. This complies with national best practice.

SEH is managed by a Board comprising four Council nominees, three tenants and three independent members. The Board is ultimately responsible for ensuring that SEH establishes and maintains a sound system of internal control appropriate to the various business environments in which it operates. Committees reporting to the Board include Audit Committee and Personnel and Remuneration Committee. In addition, the commercial subsidiary – Atilius Ltd reports directly to its parent company.

### 2. The purpose of the Governance Framework

Good governance leads to good management, good performance, good stewardship, good public engagement, and ultimately good outcomes for citizens and service user. Good governance enables the Company to pursue its vision effectively, as well as underpinning that vision with mechanisms for control and management of risk.

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

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Company'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.

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### 3. The Governance Framework

The Key elements of the Governance Framework are:

Community Engagement  
Business Strategy  
Financial Reporting including budgetary control  
Risk Management including Anti-fraud and Corruption  
Health and Safety  
Asset Management  
Performance Management & Data Quality  
Value for Money

- Corporate governance arrangements outlined in The Articles of Association, Code of Governance and Financial Regulations.
- The employment of suitably qualified and experienced staff to take responsibility for key areas of the business. This is supported by a formal appraisal system.
- The preparation of forecasts and budgets that allow the Committees and the executive officers to monitor the key business risks and financial objectives and identify variances arising during the monthly reporting cycle.
- Business planning that cascades through the organisation, supporting Service Plans and key actions to enable SEH to achieve its ambitions and aspirations as set out in the Vision 2020 Business Plan.
- The regular reporting and review by Executive Management and the Board of performance against objectives and targets detailed in service plans.
- The Board has two Committees which review and scrutinise delegated work from the Board in accordance with the Terms of Reference.
- The Company operates a development and training programme for the Board Directors developed from appraisals and one to ones and Committee self-assessment which are carried out annually.

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- South Essex Homes ensures that the Board Directors are fulfilling their responsibility under Companies Act 2006 for adequate risk management, control and governance. The Audit Committee has a key role in overseeing and assessing the risk management arrangements and reporting to the Board on an exception basis.

#### 4. Review of Effectiveness

South Essex Homes is responsible 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 Executive Directors, the Director of Finance and Group Managers within the Company who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by external auditors and other review agencies and inspectorates.

The Council's processes to review on-going effectiveness of SEH include Council officers meeting with SEH officers on a monthly basis to review performance against a suite of performance indicators and its strategic aims as follows;

- Deliver Value to the Council
- Empower Residents and Staff
- Manage High Quality Homes
- Provide Excellent Services
- Engage with Communities

SEH's internal arrangements for ensuring the effectiveness of its governance arrangements consist of;

- The SEH Board receiving monthly performance reports across operational, human resources and value for money indicators;
- The Audit Committee undertaking a review of the Risk Management Strategy and the Strategic Risk Register to ensure that Risks are relevant and applicable and that the Board Members are responsible for ensuring that Risks are monitored effectively by the Executive Management Team.
- The Audit Committee undertaking a review of both its effectiveness as well as the operational arrangements
- The production and approval of annual Manager Assurance Statements by service managers and group manager to assess compliance with key governance processes throughout the year;

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- The Corporate Services Manager then independently checking that the evidence supports the service manager's assessment of how well each of the business management processes have operated in their area.
- Internal Audit auditing these arrangements to evaluate whether the company operates a robust process for assessing how well services have applied the critical business management systems throughout the year.
- The Company undertaking a review of leaseholder services and voids and allocations during 2015/16. A number of actions were identified to improve the service and the Board receive an update at each meeting on progress against actions.
- South Essex Homes continuing to review and adjust staffing structures aligning them with the services provision and the business plan Vision 2020.

### Internal Audit

Internal Audit is delivered through a Service Level Agreement with the Council's Internal Audit Services. The Charter, Strategy and risk based Audit Plan is prepared in consultation with The Executive Management Team and approved by the Audit Committee.

The Audit Plan was 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. A quarterly performance report was taken to the Audit Committee.

The Head of Internal Audit also prepared an Annual Report that was considered by the Audit Committee.

Head of Internal Audit Opinion for the year ended 31 March 2016 was as follows:

*Overall, the design and operation of the company's risk management, control and governance framework was satisfactory throughout the year, with the opportunity to strengthen these arrangements in some areas.*

*Particular focus has been given by the company, to further developing the processes for managing the Careline service and the Door Entry Service and Repair Contract*

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

*There continues to be a high level of compliance with the requirements of the CIPFA Statement on the Role of the Head of Internal Audit.*

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The Council's external auditor continues to confirm that internal audit's financial systems work can be relied upon when undertaking the audit of the statement of accounts.

The Company provided the Council with the following assurance regarding the robustness of its governance arrangements during the year:

- Internal Audit reports;
- Summary results of Manager Assurance Statements;
- Head of Internal Audit annual report (including an opinion on the adequacy and effectiveness of the company's governance, risk management and control framework ; and
- Audit Committee Annual Report.

### External Audit

External Audit of the annual financial statements was undertaken by Scrutton Bland with the view to expressing an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

In carrying out the audit work Scrutton Bland considered whether the financial statement were free from 'material misstatement'. Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. An item will normally be considered material if its omission would reasonably influence the decisions of those using the financial statements.

Scrutton Bland issued a report to management at the conclusion of the audit work. This included a management letter containing comments and recommendations for improvements in operations and internal control in respect of the Company. This was discussed with management prior to the issue of the final report. The report also includes details of significant adjusted and unadjusted items that arose as a result of the audit work.

The Audit Committee consider the external auditor's report and recommends adoption of the financial statements to the Board.

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### Key Governance Issues

The main area for further work identified through the Governance Assurance Process in 2015/16, and which should be disclosed in the Governance Statement Action Plan is;

- **Value for Money** – To review and update the Value for Money Register & in accordance with the HCA regulations on value for money & governance financial viability standards

### Appendices

Appendix 3a: Annual Governance Statement Action Plan 2015/16

Appendix 3b: Current Status of the Annual Governance Statement Action Plan for 2014/15