

## Southend Borough Council Annual Governance Statement

### 1. Scope of responsibility

Southend Council 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.

In discharging this overall responsibility, Southend Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Southend 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. This statement explains how Southend Borough Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the production and publication of a Statement on Internal Control.

### 2. The purpose of the governance framework

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, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

The governance framework has been in place at Southend Borough Council for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

## Operation of the governance framework

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
- Performance Management
- Data Quality
- Data Management and Security
- Value for Money
- Procurement
- Partnerships
- Project Management
- Complaints
- Codes of Conduct for Members and Staff
- The operation of Cabinet, Overview and Scrutiny Committees and the Standards Committee

These areas form the main sources of assurance to be considered in any review of the internal control environment. In support of the review process, the Code has been produced setting out the detailed procedures to be reviewed in each area before an opinion on the effectiveness of the system of internal control can be expressed.

The Head of Policy and Improvement has been given the responsibility for overseeing the implementation and monitoring of the Code, through a process which consists of:

- Quarterly 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:

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- An annual review of the governance framework supported by officer 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
- An annual refresh of the Code, with any significant amendments being reported to the March Audit Committee.

The Council's key governance and business planning processes are also subject to audit on a risk basis. This work 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 systems of internal control.

The full Code and associated appendices are available on the Southend Borough Council website: [www.southend.gov.uk](http://www.southend.gov.uk)

### **South Essex Homes**

South Essex Homes (SEH), formed in October 2005, is the Arms Length Management Organisation of Southend-on-Sea Borough Council, responsible for the management and maintenance of the Council's homes. The 2008/09 Management Fee payable to SEH from the Council for such services was £10.912 million.

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 five Council nominees, five tenants and five 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. Sub-committees reporting to the Board include Audit Committee and Resources Committee who have formal, approved Terms of Reference.

SEH exercises control through:

- Corporate governance arrangements outlined in Memorandum and Articles of Association, Standing Orders 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.

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- Business planning based upon a balanced scorecard approach that cascades through supporting Service Plans and an Audit Commission approved Improvement Plan that sets out key areas of service delivery requiring improvement.
- The regular reporting and review by senior management and the Board of performance against objectives and targets detailed in service plans.

### **Review of effectiveness**

Southend Borough 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, and also by comments made by the external auditors and other review agencies and inspectorates.

### **Reviewing the effectiveness of the framework**

The 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.

The Council operates within a Cabinet and 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.

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 2 Members with written notice given to the Chief Executive within 5 working days from the date of publication of the digest.

The Council has three scrutiny committees which review and scrutinise proposed decisions in their respective areas of responsibility. 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 2001, the Community Services Scrutiny Committee also scrutinises health matters.

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-elected Members to observe the Members' Code of Conduct; and to monitor the effectiveness of the Members' Code of Conduct.

The Council operates a development and training programme for Members to help support them in their strategic roles.

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 a Member-led 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.

The Council's major policy objectives and priorities are detailed in a three year Corporate Plan, developed in consultation with key stakeholders. The Plan has objectives that are outcome-focused. These are intended outcomes for Southend's communities – citizens and service users. The Plan articulates the authority's Vision, is subject to an annual progress review and updating, and is approved by the Corporate Management Team, Cabinet, and Council.

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The Corporate Plan is underpinned by detailed service improvement plans that are monitored monthly by Departmental Management Teams to ensure that improvement is being delivered. In addition, a Monthly Performance Report is produced detailing key performance indicators that underpin the Council's Corporate Priorities. This report is monitored by Corporate Management Team, Performance Improvement Task Group, Cabinet, and Overview and Scrutiny Committees.

Financial monitoring reports are produced on a monthly basis and form part of the Council's Monthly Performance Report. Reports detail deviation from budget and are considered by Cabinet and Overview and Scrutiny Committees. A Medium Term Financial Strategy is refreshed annually and is driven by the priorities agreed by the Council and contained within the Corporate Plan.

Corporate and service risk registers were formally reviewed and reported upon each quarter. The Corporate Risk Register forms part of the Council's Monthly Performance Report, and a summary report on the Council's risk management arrangements was produced each quarter and reported to Audit Committee.

Financial, internal control and value for money arrangements are reviewed using the use of resources key lines of enquiry assessed by External Audit.

The Council engages with all of the communities within Southend and its arrangements are formulated within a Consultation and Engagement Strategy. Consultation and engagement activity and the results of this activity are reported and are integrated into service planning and delivery.

### **Internal Audit**

The annual risk based audit plan was prepared in consultation with Corporate Directors and 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 summary audit report was taken to Corporate Management Team and the Audit Committee. The Head of Internal Audit annual report and opinion was also considered by Corporate Management Team and the Audit Committee.

Internal Audit has been subject to regular review by external audit in order that they can place reliance on the audit work. The statutory annual assessment of Internal Audit's performance was reviewed by both external audit and the Audit Committee Chair of South Essex Homes.

## **External Audit**

External Audit is undertaken by PKF (UK) LLP who review the design of controls in place within the core financial systems if relevant to their audit opinion. Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Final Report to Those Charged with Governance. The auditors also review the arrangements in place for securing data quality and value for money, as well as internal control arrangements such as risk management. These are key elements of the use of resources audit. This is reported to the Audit Committee, together with an action plan to address any concerns and an update of outstanding issues from previous action plans.

## **External Inspections**

External inspections review the effectiveness of the Council in those areas under review. These are undertaken through the Comprehensive Area Assessment (CAA) process. This provides an Organisation Assessment giving a judgement on Managing Performance and Use of Resources. These take into account the outcomes of formal inspections of Adult and Children's Services and other assessments, such as for the Equality Framework or Investors in People. The Audit Commission published an Organisational Assessment score of 3 for the Council, in December 2009, comprising of a Managing Performance score of 3 and a Use of Resources score of 3. This demonstrated continued and sustained improvement for the Council.

## **South Essex Homes**

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 linked to best value, Audit Commission and local indicators.

In 2009/10 a critical priority of the Council was to enable well planned quality housing developments that meet the needs and expectations of Southend's residents and businesses. As such performance relating to rent arrears and levels of Council homes classified as "decent" was reported monthly to the Council's Performance Improvement Task Group and subsequently to Cabinet. Progress against the Improvement Plan was reported to each meeting of the Community Services Scrutiny Committee.

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

- The SEH Board receive monthly performance report across operational, human resources and finance indicators;
- The Audit Committee considering Internal Audit reports throughout the year as well as reviewing how well strategic risks are being identified and managed;

- The production of annual manager assurance statements by Heads of Service who have assessed compliance with these processes at service level throughout the year;
- Internal Audit challenging a sample of manager assurance statements and giving a view as to whether they can be relied upon to accurately reflect the robustness of the company's arrangements throughout the year.

### **Internal Audit**

Internal Audit is delivered through a Service Level Agreement with the Council's Internal Audit Services. The risk based audit plan is prepared in consultation with senior management and approved by the Audit Committee. This work includes checking that recommendations contained in audit reports are implemented properly by the due date.

The Head of Internal Audit prepared an annual report that included an overall opinion on SEH's internal control environment based on the results of the audit work completed.

SEH's financial statements are subject to external audit. Where the external auditor identifies any weaknesses these are reported to those charged with governance. The Audit Committee consider the external auditor's report and recommend adoption of the financial statements to the Board.

The company provided the Council with the following assurance regarding the robustness of its governance arrangements:

- Internal Audit reports;
- Summary results of Manager Assurance Statements;
- Head of Internal Audit annual report (including an opinion on the effectiveness of the company's systems of internal control); and
- Audit Committee Annual Report.

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 a plan to address weaknesses and ensure continuous improvement of the system is in place.

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## Key Governance Issues

Key governance issues that have been identified are attached with actions to address:

- Further develop the Council's policy framework;
- Further embed the Council's risk management framework;
- Review and strengthen the Council's performance management framework;
- Further embed value for money throughout the Council; and
- Further embed data quality.

## South Essex Homes

No significant weaknesses have been identified in the company's systems of internal control for the year 31 March 2010. However work is continuing to further develop and embed the company's risk management arrangements throughout all service areas.

## 2009/10 Action Plan

Progress on actions to enhance our governance arrangements were reported to Audit Committee during the 2009/10 financial year. The completed action plan with outcomes is attached as **Appendix 2**.

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### Further Actions to strengthen the Council's governance arrangements for 2010/11

No	Governance Issue	Action 2010/11	Origin	Date of Implementation	Responsible Officer
1	Key partnership arrangements	Ensure robust arrangements are in place for: <ul style="list-style-type: none"> <li>• Risk management;</li> <li>• Data quality; and</li> <li>• Performance management</li> </ul>	KLOEs 2.2, 2.3 and 2.4	March 2011	Partnership Manager
2	Policy Framework	Review and strengthen the Council's policy framework	KLOE 2.3	March 2011	Strategy & Performance Manger
3	Performance management	Review and strengthen the Council's performance management framework	KLOE 2.3	March 2011	Strategy & Performance Manger
4	Risk management	Further embed the Council's risk management framework including Project and Programme Management, Fraud & Corruption, Whistle Blowing and Health & Safety	KLOE 2.4	March 2011	Strategy & Performance Manager
5	Information Management (including Data Quality, Management and Security)	Ensure robust arrangements are in place for Information Management including reviewing the format of the Manager's Assurance Statements	KLOE 2.2	March 2011	Strategy & Performance Manager

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6	Value for money	Further embed value for money throughout the Council	Use of Resources	March 2011	Head of Policy & Improvement
7	South Essex Homes' governance arrangements.	Develop arrangements for the Council to ensure the governance processes for South Essex Homes are operating effectively		March 2011	Group Manager for Housing
8	South Essex Homes' risk management process	Further develop and embed South Essex Homes risk management arrangements throughout all service areas.		March 2011	Executive Director, South Essex Homes

## **Southend Borough Council Annual Governance Statement**

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 NIGEL HOLDCROFT**

**LEADER OF THE COUNCIL**

DATE: