

Southend on Sea Borough Council Annual Governance Statement – 2010/11

1. Scope of responsibility

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.

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

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. This statement explains how the 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 on Sea Borough Council for the year ended 31 March 2011 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:

- 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 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

Review of effectiveness

Southend on Sea 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 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.

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.

The Corporate Plan is underpinned by detailed service 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 were undertaken through the Comprehensive Area

Assessment (CAA) process, until this was ended by the Government in June 2010. CAA provided for an Organisation Assessment giving a judgement on Managing Performance and Use of Resources. The Audit Commission published an Organisational Assessment score of 3 ('performing well') for the Council, in December 2009, comprising a Managing Performance score of 3 and a Use of Resources score of 3. This demonstrated continued and sustained improvement for the Council and an improved score was anticipated to be reported in December 2010.

External assessments for Adult and Children's Services by the Care Quality Commission and Ofsted respectively were reported in December 2010, with both being assessed as 'performing well'. Other formal inspections, including of social care registered services; unannounced inspection of front-line child protection services and schools, along with other external assessments, such as for the Equality Framework, Investors in People and service specific assessments (eg for Customer Service Excellence) provide further independent assurance of governance arrangements and the quality of service provision.

Key Governance Issues

Key governance issues that have been identified as part of a review of the Council's governance requirements resulting from operating in a new era of external assessment and a review of manager assurance statements.

The main areas identified by managers as requiring further work are:

- **Business Continuity**, where the Council needs to:
 - update its business continuity plan to cover all service areas; and
 - clearly set out the services' roles and responsibilities in implementing the plan and
- **Procurement**: to significantly improve procurement arrangements for items of spend under the EU Threshold.

A further area that has been identified for action is the need to:

- Determine how the Council ensures that appropriate governance arrangements are established when working with partnerships, voluntary services and other non statutory bodies and that they operate satisfactorily.

South Essex Homes

The Annual Governance Statement for South Essex Homes for 2010/11 is attached to this statement. No significant weaknesses have been identified in the company's systems of internal control for the year 31 March 2011 and the statement has been endorsed by SEH Board as accurate and reflecting how the company's business management processes operated throughout 2010/11.

The statement highlights areas for further work in 2011/12 and for inclusion in the SEH Governance Statement Action Plan. These relate to: Business Continuity and aspects of risk management, business planning and financial management as areas for inclusion in their Governance Statement Action Plan.

2010/11 Action Plan

Progress on actions to enhance our governance arrangements were reported to Audit Committee during the 2010/11 financial year, with outcomes against the action plan attached as **Appendix 3**.

Further Actions to strengthen the Council's governance arrangements for 2011/12

No	Governance Issue	Action 2011/12	Date of Implementation	Responsible Officer
1.	Business Continuity	<u>Undertake a review to assess what further action is required to ensure that business continuity arrangements are fit for purpose throughout all Council services, including those relating to services that are provided by significant contractors and partners, and that actions resulting from the review are implemented.</u>	Sept 2011	Head of Legal & Democratic Services / Head of Internal Audit
2.	Procurement	To raise staff awareness of the benefits available from better procurement arrangements by targeting areas where improved planning and challenge will quickly demonstrate the savings and efficiencies that can be achieved on spend below the EU threshold.	March 2012	Head of Policy & Improvement
3	Key partnership arrangements	To determine how the Council ensures that appropriate governance arrangements are established when working with partnerships, voluntary services and other non statutory bodies and that they operate satisfactorily.	March 2012	Partnership Manager

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

COUNCILLOR NIGEL HOLDCROFT

CHIEF EXECUTIVE

LEADER OF THE COUNCIL

DATE:

DATE:

ON BEHALF OF THE AUTHORITY