

Southend on Sea Borough Council Annual Governance Statement – 2011/12

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. 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.

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 of the Accounts and Audit (England) Regulations 2011 in relation to the production and publication of an Annual Governance Statement.

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 main governance framework has been in place at Southend on Sea Borough Council for the year ended 31 March 2012 although on a risk assessed basis and to facilitate transition to a new Corporate system elements were operated for part of the year only.

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
- Information Management and Security
- Value for Money
- Procurement
- Project Management
- Complaints
- Codes of Conduct for Members and Staff
- The operation of Cabinet, 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.

The Corporate Director for Support Services 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 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 system of internal control.

The full Code and associated appendices are available on the Southend-on-Sea Borough Council website: www.southend.gov.uk

Role of the Chief Financial Officer

The Chief Financial Officer (CFO) occupies a key position in the Council, managing the Council's 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
- 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 statements are set out below:

- 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 alignment 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.
- The CFO in a local authority must be professionally qualified and suitably experienced.

The Council has the necessary arrangements and procedures in place which ensure that these principles are either directly complied with or, where not directly complied with, there are alternative procedures in place so that the necessary outcomes and objectives are still achieved and suitable controls are in place.

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 & Culture 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 Standards Committee also deals with formal complaints against members.

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 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.

The Council's major policy objectives and priorities are detailed in the annual 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 the Scrutiny Committees.

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 contained within the Corporate Plan.

The Corporate Risk Register is formally reviewed and reported upon each quarter to the Corporate Management Team, with a summary report to the Audit Committee half yearly. Service Departmental risk registers are reviewed frequently by Departmental Management Teams.

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.

Progress on actions to enhance our governance arrangements arising from the 2010/11 Annual Governance Statement were reported to Audit Committee during the 2011/12 financial year, with relevant outcomes against the action.

Internal Audit

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. A quarterly summary audit report was taken to Corporate Management Team and the Audit Committee. The Head of Internal Audit annual report and opinion will be considered by Corporate Management Team and the Audit Committee in September 2012.

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 completed this year and reported to the Audit Committee. The service was found to be compliant.

External Audit

External Audit is undertaken by PKF (UK) LLP, who annually conclude 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
- grant claims reviews are accurate and prepared in accordance with the relevant terms and conditions.

Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Annual Governance Report or the Grant Claim Certification Report.

External Inspections

Assurance over the control environment is also obtained from external inspections of service areas. External assessments for Adult and Children's Services undertaken this year by the Care Quality Commission and Ofsted respectively covered:

- Delaware;
- Shared Lives;
- LA Adoption Service;
- the Renown Centre for Learning;
- Unannounced Inspection of Referral, Contact and Assessment (Children's Social Care);
- Annual Children's Assessment;
- Core Case Inspection (Youth Offending Service) by HMIP;

These 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

We conclude that the Council generally operated appropriate governance arrangements throughout the year, although it has been identified that they could be strengthened by taking action to ensure that:

- lessons from the introduction of the Agresso system, most particularly on pre-implementation design, have been recognised and will be used to the benefit of future projects
- proper processes are still in place to ensure that all business management policy owners and senior management get in year assurance that the governance framework is being consistently applied by all services
- all business continuity plans are up to date, tested and communicated to staff.

South Essex Homes has developed its own governance improvement plan, please refer to Appendix 2.

Further Actions to strengthen the Council’s governance arrangements for 2012/13

No	Governance Issue	Action 2012/13	Date of Implementation	Responsible Officer
1.	Lessons from the introduction of the Agresso system, most particularly on pre-implementation design, have been recognised and will be used to the benefit of future projects	<p>That relevant Project Boards ensure that a full project plan, including business change and design, is in place to oversee efficient and effective development of any new systems, reporting regularly to the Corporate Delivery Board.</p> <p>To ensure the Agresso ‘programme of change’ is fully implemented following the methodology and approach adopted by the Agresso Programme Board in August; agreed with the Corporate Delivery Board in September.</p>	<p>April 2012</p> <p>October 2012</p>	<p>Sally Holland</p> <p>Joanna Ruffle/ Joe Chesterton</p>
3	Proper processes are still in place to ensure that all business management policy owners and senior management get in year assurance that the governance framework is being consistently applied by all services	<p>To devise and implement a ‘Policy Owners Assurance Statement’ to gain annual assurance that policy frameworks are up-to-date and fit for purpose;</p> <p>To review the ‘Managers Assurance Statement’ to ensure that it is still fit for purpose</p>	March 2013	Linda Everard
4	All business continuity plans are up to date, tested and communicated to staff	That the working group overseeing Business Continuity Planning has a full project plan in place and can give assurance that the framework has been reviewed and fully implemented across the Organisation	March 2013	Sally Holland

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