

Appendix 1

Southend-on-Sea Borough Council Draft - Annual Governance Statement – 2013/14

1. Scope of responsibility

- 1.1 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.
- 1.2 In discharging this overall responsibility, the Council is responsible for ensuring the proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk, are in place. 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 (Appendix 3).
- 1.3 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. A copy of the authority's code is on the Council's website at www.southend.gov.uk/localcodeofgovernance or can be obtained from the Policy, Engagement and Communications Team, Civic Centre, Victoria Avenue, SS2 6ER.
- 1.4 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.

2. The purpose of the Governance Statement

- 2.1 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 services and value for money.
- 2.2 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 on-going 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.

2.3 The main governance framework has been in place at Southend-on-Sea Borough Council for the year ended 31 March 2014 and up to the date of approval of the annual report and statement of accounts.

3. The Council's Governance Framework

3.1 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, Audit Committee and the Standards Committee.

3.2 These areas form the main sources of assurance to be considered in any review of the Council's governance arrangements.

3.3 The Corporate Director for Corporate Services has the responsibility for overseeing the implementation and monitoring of 'The Code', through a process which includes:

- 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 review of 'The Code', with any significant amendments being reported to the Audit Committee, endorsed by Cabinet and approved by Council.

3.4 The Council's key governance and business planning processes are also subject to audit on a risk basis. Such work completed during the year 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.

- 3.5 The full Code and associated appendices are available on the Council website:
www.southend.gov.uk/localcodeofgovernance.

4. Role of the Chief Financial Officer

- 4.1 The Chief Financial Officer (CFO) occupies a key position in the Council, managing the Councils' 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 and
- 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 principles are:

- 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 aligned 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 and
 - The CFO in a local authority must be professionally qualified and suitably experienced.
- 4.2 The Council has the necessary arrangements and procedures in place which ensure that these principles are complied with. This is through a combination of direct compliance by the CFO and, where not directly complied with, there are alternative procedures in place to ensure that the necessary outcomes and objectives are still achieved and suitable controls are in place. For example, this may include deputising arrangements and delegated authority for financial management in the clearance of relevant Member reports.

5. Review of effectiveness

- 5.1 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.

- 5.2 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.
- 5.3 The Council operates with a Cabinet and strong 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.
- 5.4 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 two Members with written notice given to the Chief Executive within five working days from the date of publication of the digest.
- 5.5 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 2012, the People Scrutiny Committee also scrutinises health matters.
- 5.6 Since May 2012 the Council has operated an enhanced pre-Cabinet scrutiny system where scrutiny and opposition Members are given opportunities to contribute to and offer advice on key decisions prior to consideration by Cabinet. This is achieved by reports to Scrutiny Committees and the outcomes of cross party working groups. 24 issues were subject to pre-Cabinet scrutiny through reports being considered by a Scrutiny Committee during 2013/14.
- 5.7 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-opted 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.
- 5.8 The Council continues to review and adjust staffing structures and revised the responsibilities of scrutiny committees for 2013/14, reflecting new departmental structures including the Council's new public health functions and other reforms introduced by the Health and Social Care Act 2012. The Health & Wellbeing Board was successfully established for 2013/14, having operated in shadow form beforehand. The operation of the board was subject to a Local Government Association Peer Review in January 2014. No significant governance issues were raised. The board is taking forward areas for development.
- 5.9 The Council operates a development and training programme for Members to help support them in their strategic roles with over 16 training, development and briefing sessions held during 2013/14. No local elections were held in 2013, however, a revised member development programme has been prepared for 2014/15, including an induction programme for new Members.

- 5.10 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.
- 5.11 The Council's major policy objectives and priorities are detailed in the Corporate Plan and Annual Report, developed in consultation with key stakeholders. The plan articulates the authority's vision, is subject to regular progress review, and is approved by the Corporate Management Team, Cabinet, and Council.
- 5.12 The Corporate Plan and Annual Report is underpinned by detailed service plans which are monitored monthly by Departmental Management Teams. In addition, a monthly performance report outlines key performance indicators that underpin the Council's Corporate Priorities and corporate priority actions. This is monitored by the Corporate Management Team, Performance Improvement Task Group, Cabinet, and the Scrutiny Committees.
- 5.13 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. Improved budget monitoring arrangements in relation to budget projections have been introduced. A three year Medium Term Financial Strategy is refreshed annually and is driven by the priorities agreed by the Council and outlined in the Corporate Plan and Annual Report.
- 5.14 The Corporate Risk Register is formally reviewed and reported upon each quarter to the Corporate Management Team, and to the Audit Committee half yearly. Departmental risk registers are reviewed regularly by Departmental Management Teams.
- 5.15 The Council engages with its communities and its arrangements are formulated within a Consultation and Engagement Strategy. Consultation and engagement activity and the results of this activity are reported and integrated into service planning and delivery.
- 5.16 The Council has a Health and Safety Policy, with an accompanying action plan that is reviewed each year and overseen by the Strategic Health and Safety Group, chaired by a Corporate Director, which has assisted the Council in reaching Level 5 out of 5 on the RoSPA (Royal Society for the Prevention of Accidents) assessment.
- 5.17 A complaints procedure and a whistle-blowing policy are maintained and kept under review to enable issues to be raised by public, staff, Councillors and co-opted Members when they feel appropriate standards have not been met. A report analysing complaints, comments and complements is submitted to Cabinet and Council annually.
- 5.18 The Council's approach to Information Management was reviewed in 2012 by the Information Commissioner's Office and graded as 'reasonable' (the second highest grading) with an agreed action plan developed to address suggested areas of improvement which has been implemented during 2013/14. The Department of Health is using the Council as a reference site for its work on health and social care

integration and the Information Commissioner's Office is using the Council as a reference authority in relation to its work in processing Subject Access Requests.

- 5.19 The Council reviewed arrangements for the future management of its housing stock, including the current service provider, South Essex Homes (SEH), the Council's Arms Length Management Organisation (ALMO). The review resulted in revised governance arrangements and articles of South Essex Homes, including a reduction in the size of its board from 15 to 10, a strengthening of client monitoring arrangements and the establishment of a new SEH commercial arm, Atilius Ltd. South Essex Homes Annual Governance Statement is attached at Appendix 3.
- 5.20 A Good Governance Group of senior managers has been established and meets quarterly to review the Council's governance arrangements, ensure they are fit for purpose and comply with good practice requirements and ensure that sufficient assurance is available throughout the year to support the production of the Annual Governance Statement.
- 5.21 Significant progress has been made in the controls for financial systems whereby the following systems now have an opinion of 'Good' from the relevant Internal Audit reports: Council Tax; Business Rates; Accounts receivable – General Debtors; Income Receipting and Banking and Treasury Management with the remaining few systems with an 'Adequate' opinion.
- 5.22 Regular reviews of the recommendations made are addressed by the Head of Service and Departmental Management Team and subsequently as part of the summary audit progress reports to Audit Committee on a quarterly basis.
- 5.23 Progress on actions to enhance our governance arrangements arising from the 2012/13 Annual Governance Statement were reported to Audit Committee during the 2013/14 financial year, with relevant outcomes against the action.

6. Internal Audit

- 6.1 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. Periodically summary audit progress reports were taken to Corporate Management Team and the Audit Committee.

6.2 Head of Internal Audit Opinion

The Head of Internal Audit annual report and opinion for 2013/14 was considered by Corporate Management Team and the Audit Committee in June 2014. This stated that:

'In my opinion, the governance, risk management and control framework designed and operated by the Council throughout the year in order to deliver its objectives is adequate'.

6.3 External audit has confirmed it can rely on Internal Audit's financial systems work to support of the financial accounts audit. Internal Audit continue to be able to demonstrate that its audit approach complies with relevant professional standards. The annual self-assessment is subject to independent challenge to confirm the assessment is realistic and supported by appropriate evidence.

7. External Audit

7.1 External Audit is undertaken by BDO LLP which annually concludes 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 and
- Grant claims reviews are accurate and prepared in accordance with the relevant terms and conditions.

7.2 Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Annual Governance Report or the Grant Claim Certification Report. The external auditors regularly attend meetings of the Audit Committee. The Report of the External Auditor was presented to the 8 January 2014 Audit Committee.

8. External Inspections

8.1 Assurance over the control environment is also obtained from external inspections and assessments of service areas. External assessments for 2013/14 included:

- Investors in People re-accreditation by UK Commission for Employment and Skills, awarded Silver Status.
- Southend Therapy and Recovery Team (START), by CQC, February 2014, fully compliant.
- Saxon Lodge, June 2013, by CQC, fully compliant.
- Priory House, June 2013, by CQC, fully compliant.
- Delaware House, January 2014, CQC, fully compliant
- Shared Lives (home care and supported living), by CQC, March 2014, fully compliant.
- RIPA (Regulation of Investigatory Powers Act) inspection of the Council's surveillance powers, Office of Surveillance Commissioners, entirely fit for purpose.
- 25 Ofsted Inspections of Southend schools.
 - Primary/Junior & Infant: 1 Outstanding; 12 Good; 5 Requires Improvement; 1 Inadequate;
 - Secondary: 3 Good; 1 Requires Improvement; 1 Inadequate; 1 Inadequate (Special Measures).
- Peer Review of Health & Wellbeing Board, LGA.

- The annual Ombudsman's letter which advised (that the Council is better than the average for the number of complaints received by the Ombudsman compared to other Unitary authorities – 2013/14 letter due by early June).

8.2 These along with other external assessments, provide further independent assurance of governance arrangements and the quality of service provision. The Council is also regularly recognised through industry awards such as:

- The PPMA (Public Sector People Managers' Association human resources team of the year in 2013);
- Ranked in the top 100 in Stonewall's workplace equality index and ranked 14th highest local authority.
- The Streets Ahead, programme for supporting Troubled Families was shortlisted for the 2014 Municipal Journal Achievement Awards for the Excellence in Community Engagement Category.
- Ideas in Motion' programme to help better travel won the social marketing campaign of the year and its website shortlisted for Public Sector Communications Awards (November 2013).
- The Payroll Team was shortlisted in the employer of the year category in the Pay and Benefits magazine awards (January 2014)
- The Pier and museum service were accredited in the Visitor Attraction Quality Assurance Scheme (December 2013).
- The Essential Living Fund Team won the excellence in partnership working category at the Institute of Revenues Rating and Valuation awards (October 2013)
- The borough was re-accredited to the Purple Flag scheme for safety of the night time economy (July 2013).
- The Pier Cultural Centre was shortlisted for the British Construction Industry awards for building project of the year (up to £3m) (July 2013).
- Children's Services were highly commended in the LGC Children Services of the Year award and short break scheme was shortlisted for the children and young people Now Play award.

9. Conclusion

9.1 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 that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

9.2 Actions to be specifically addressed are outlined below.

Further Actions to strengthen the Council's governance arrangements for 2014/15

No	Area	Action 2014/15	Date of Implementation	Responsible Officer
1.	Business Continuity Planning	Undertake testing of the Council's revised business continuity processes to ensure arrangements are sufficiently resilient.	March 2015	Sally Holland

Significant Governance Issues

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
LEADER OF THE COUNCIL
DATE:

APPENDIX 2

SBC Corporate Governance Actions – 2013/14 – Progress

No.	Governance Issue	Action 2013/14	Responsible Officer	Comment on Progress
1.	Implementation of the business continuity planning programme of work.	That the programme of work developed to continue the process of ensuring the Council's Business Continuity Planning arrangements are implemented, including ensuring Plans reflect the Council's new departmental and management structure, the process of ensuring the fall back location is fit for purpose and the arrangements tested.	Sally Holland	<p>Good progress made in implementing the BCP action plan. Business Impact Assessments for all service areas are being undertaken, reviewed and inputted to BCP database - with a view to completion by end June 14.</p> <p>Work is continuing in preparing Tickfield as the recovery site/fall back centre. Exercise to test arrangements scheduled for 1.10.14.</p>
2.	Governance framework: on-going review	Continue to review the governance framework to ensure it is sound and operating as designed in line with the requirements of the CIPFA Guidance, 'Delivering Good Governance in Local Government: Guidance Note for English Authorities'.	Sally Holland	The Good Governance Group of senior managers has been established to review the Council's governance arrangements. A self-assessment against the CIPFA Guidance has been undertaken to help inform the Annual Governance Statement.

No.	Governance Issue	Action 2013/14	Responsible Officer	Comment on Progress
3.	Adapting to the new, post-April 2013, health regime.	Ensure the Council's governance arrangements reflect the Health and Social Care Act – 2012, including the integration of public health functions, and the development of effective relationships with the respective health bodies.	Rob Tinlin	<p>The Health & Wellbeing Board has been established and the Health & Wellbeing Strategy agreed. The operation of the board has been subject to an LGA Peer Review. No significant governance issues were raised. The board is taking forward areas for development.</p> <p>Working relationships with partner health bodies are being enhanced through the Better Care Fund and Southend's Health & Social Care Integrated Pioneer programme.</p> <p>Public Health functions have been and continue to be successfully integrated into the Council's governance and business processes.</p> <p>The Chief Executive is the regional Chief Executive lead on both the National Health Transition Task Group and the Better Care Fund.</p>