Southend-on-Sea City Council
Annual Governance Statement – 2022/23

1.   Scope of responsibility

1.1   Southend-on-Sea City 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 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 there are robust governance arrangements between the Council and its subsidiaries.

1.3   The Council approved and adopted an updated Local Code of Governance in December 2019, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Council's code is part of the Council's Constitution and is available on the Council's website or can be obtained from the Corporate Strategy Group, Civic Centre, Victoria Avenue, SS2 6ER. The Council has been implementing new governance arrangements during the past year which will be commented upon below. Full details will be available in a refreshed version of the Local Code of Governance due to be published in the latter part of 2023/34.

1.4   This Annual Governance Statement explains how the Council has complied with the Code and meets the requirements of Section 6 of the Accounts and Audit Regulations 2015 in relation to the production and publication of an Annual Governance Statement.

2.   The purpose of the Annual Governance Statement

2.1   The governance framework comprises the structures, systems, processes, culture, and values, by which the Council is directed and controlled and the activities through which it is accountable 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 governance framework has been in place at the Council for the year ended 31 March 2023 and up to the date of approval of the annual statement of accounts. Revisions and improvements have been implemented, described throughout the statement, and will form a new Local Code of Governance to be published in 2023/24.

3. The Council's Governance Framework

3.1 The governance framework ensures the Council's ambition and desired outcomes are effectively promoted and progressed through its corporate governance arrangements and business planning processes. The key business process elements of the governance framework are as follows:

Citizens:
- Community participation
- Co-design and co-production with citizens
- Customer satisfaction
- Consultation and engagement
- Complaints, compliments, and comments

Performance:
- Outcome based strategy and business planning
- Decision making / constitution
- Policy framework and procedures
- Performance management, including data quality
- Risk management, whistleblowing
- Business continuity
- Information security
- Contract management
- Project management
- Change / transformation management

Resources:
- Outcome based financial planning and reporting, budgetary control, and treasury management
- Commissioning
- Procurement
- Asset Management
- Fraud & Corruption and Insurance
- Value for Money (through the Getting to Know your Business and Transformation Blueprint projects)

People:
- People Vision and Plan 2022-26
- Values and behaviours - codes of conduct for members and staff
- Staff performance management and development
- Health and safety
- Ethical governance

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 Chief Executive has the responsibility for overseeing the implementation and monitoring of the Local Code of Governance, through a process which includes:
- Regular reports to the Corporate Leadership Team (CLT) 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 undertaken by the officer Good Governance Group, and more recently by the officer Governance Board;
- An annual report to the Corporate Leadership Team and the Audit Committee on the adequacy of governance arrangements; and
- A regular review of 'The Local Code of Governance', with any significant amendments 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 assessed 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 Key elements of the Local Code of Governance are outlined below:

3.6 The Council's Monitoring Officer is responsible for the maintenance of the Constitution and for reviewing its relevance and effectiveness, ensuring that it is always fit for purpose. Any changes to the Constitution are approved by full Council. Minor changes can also be made to the Constitution by the Chief Executive in consultation with the Group Leaders and the Monitoring Officer.

3.7 The Council operates a Leader and Cabinet model of governance, with the Leader (appointed by Full Council for a four-year term) appointing other Councillors to form the Cabinet. During 2022/23 Cabinet had 7 portfolio holders plus the Leader. 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, a chief officer can take a decision in consultation with the relevant portfolio holder, which will then be reported to the whole Cabinet at the earliest opportunity.

3.8 Following the May 2022 election, the Council returned no overall political control and continued to operate a Joint Administration. Led by a Labour Leader, newly appointed in May 2022, the Administration was made up of 16 Labour members, 6 Independent members and 6 Liberal Democrats. The opposition comprised of Conservatives (21 seats) and 2 non-aligned independent members.

3.9 Five Special Cabinet meetings took place during 2022/23 increasing the flow of business and support mechanisms around these meetings. The regular occurrence of change and the annual preparation for election periods continues to present challenges and risks to the sustainability of longer-term service and financial planning, these issues were reported in the Local Government Association Corporate Peer Challenge findings in October 2022 (see section for more detail 5.46).

3.10 2022/23 also saw changes within the Senior Leadership Team including a new permanent Chief Executive and plans for a reduced number of permanent Executive Directors. The local election in May 2023, returned a result of no overall control. At the Council's AGM on 18th May 2023, the Conservative Group formed a minority administration and appointed 10 Cabinet members (including the Leader).

3.11 The Council has three Scrutiny Committees which review and scrutinise proposed decisions in their respective areas of responsibility – People, Place and Policy & Resources. The committees 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.

3.12 During 2022/23, the General Purposes Committee, alongside other councillors developed and agreed new Scrutiny Procedure Rules which will be implemented from May 2023. Changes will enable more effective pre-Cabinet scrutiny system where scrutiny and opposition councillors are given opportunities to contribute to and offer advice on key decisions prior to consideration by Cabinet. This will be achieved by identifying reports through a pre-published Forward Plan.

3.13 The Council has a Standards Committee to promote and maintain high ethical standards of conduct for elected and co-opted committee members. A key role of the Committee is to help oversee the councillors' Code of Conduct and to monitor the effectiveness of the councillors' Code of Conduct. The Standards Committee also deals with formal complaints against councillors.

3.14 The Council has begun to operate a development and training programme for councillors to help support them in their strategic roles. This bespoke offer has been designed with councillors to support robust and effective decision making within a strong governance framework and will enhance councillors' aim for high performing and professional relationships.

3.15 The implementation of the 'Work Smart' hybrid framework, enabled by the Digital Smart Strategy and Facilities Management Strategy, and is facilitating more responsive, efficient, and effective ways of working. The model defines two types of working practices, incorporating a flexible mix of remote and in-office working making the location of where employees work, within reason, a choice.

3.16 Service Plans have been introduced from April 2023, these set out service area objectives, how services will contribute to the delivery of the corporate plan, and how success will be measured. The purpose of these plans is to provide robust management of service areas. They will help services to plan, organise and increase coordination and consistency across the Council and provide the organisation with the information and assurances required for good governance. Service plans will sit underneath the Council's corporate plan and form a key component of the golden thread approach (linking individual performance to service tactics and organisational strategy).

3.17 Annual performance and development conversations are held with employees to review their performance and agreed goals. These are aligned to the service plan and corporate plan priorities, performance development and career progression. This includes leadership capabilities. It is expected that all employees have a minimum of 4 or a maximum of 8 SMART goals. All budget holders must include

the 'knowing your business' goal as one of their 8 goals. As part of the Council's response to the recommendation from the LGA Peer Challenge (see section 5.46), the Council is enhancing the system by which the completion rates of conversations are monitored.

3.18 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 Council on the adequacy and effectiveness of these arrangements.

3.19 The Council's major policy objectives and priorities are outlined in the 'Southend Corporate Plan 2022 - 2026', which provides the Council's focus for the next four years. The Plan translates ambitions set out in Southend 2050, the long-term vision for Southend-on-Sea, into medium-term priorities. The corporate plan details how employees and councillors will work with residents and partners to deliver strategic priorities. Reports outlining progress against key areas of delivery (Corporate Performance Report) are reviewed by the Corporate Leadership Team, Cabinet and Scrutiny Committees.

3.20 Regular integrated financial monitoring reports covering both revenue and capital projects are produced that provide analysis and explanations of any significant variances from approved budgets. The Investment Board has a particular focus on capital expenditure and reviews and challenges business cases.

3.21 The Council operates a five-year capital investment programme, with the application of a 'gateway review' process, enabling items on a reserved list to be subject to further and proportionate consideration before being included in the programme. This, among other things, enables consideration of levels of required resourcing to be applied to projects, both in terms of affordability and the capacity of the organisation to deliver them, and in alignment with the priorities outlined in the Corporate Plan.

3.22 The Council is undertaking a capital programme review process to consider what schemes should stop, pause or defer. Progress updates of the review were included in the Period 4, Period 6 and Period 8 financial performance reports to September, November, and January Cabinet respectively.

3.23 Four rounds of capital challenge sessions were also held with the Cabinet Member for Asset Management and Inward Investment: In August sessions relating to the strategic schemes, in early October sessions relating to all schemes, in early December sessions targeted on the key areas where further progress needed to be made and in late April sessions looking at the outturn position and any budget re-profiles to re-prioritise and re-align the programme. During the LGA Corporate Peer Challenge (see section 5.46) the peer team were impressed with the Council's current approach to the management and review of its capital programme.

3.24 A forecast outturn for the year is also developed and considered by Cabinet and the Scrutiny Committees. A five-year Medium Term Financial Plan is refreshed annually and shaped by the priorities agreed by the Council. The Council has also developed a Financial Sustainability Strategy providing a 10-year horizon. The Council's annual budget process is subject to engagement, consultation, and

scrutiny by all interested stakeholders. Formal public Scrutiny Committees take place at the end of January, prior to consideration by Cabinet and decision by full Council on the overall budget package in February. This enables a robust, costed, and balanced, budget to be set. The overall budget development and approval arrangements complies with good practice and helps to ensure that the Council remains financially resilient.

3.25 The Corporate Risk Register is reviewed regularly by the Corporate Leadership Team, and by the Cabinet every six months. Project risk and departmental risk registers are reviewed by service area management teams.

3.26 The Council engages with its communities within a consultation, engagement and participation framework that increasingly harnesses co-design, co-production, and asset-based community development principles, with outputs integrated into business planning and delivery as is the case with the Health and Wellbeing Panel, the development of Adult Social Care Strategies and Tackling Poverty Strategy. Co-production activity through a test and learn approach continues to be evaluated by the Adults and Communities Senior Management Team and supported by Working Together for Change, an organisation working alongside councils and health organisations to improve citizen led change to public services. The Council will continue this relationship into 2023 with the development of the Autism and Neurodivergent Strategy.

3.27 The Council has a Health and Safety Policy, with an accompanying assurance mechanism and action plan that is reviewed quarterly by the Corporate Leadership Team and Divisional Management Teams via the Governance Board and newly formed SCC Health and Safety Group. This approach has recently been refreshed to support the learning from the pandemic and to assist the Council in maintaining Level 5 (out of 5) diamond award on the RoSPA (Royal Society for the Prevention of Accidents) Quality Safety Award assessment.

3.28 A complaints procedure and a whistleblowing 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 compliments is submitted to Cabinet and Council annually.

4.   Role of the Chief Financial Officer

4.1   The Chief Financial Officer (CFO) occupies a key position in managing the Council's finances and ensuring that resources are used wisely to secure positive results and desired outcomes. To support the post holder in the fulfilment of their duties, and ensure the Council has access to effective financial advice, in 2016 the Chartered Institute of Public Finance Accountants (CIPFA) issued an updated 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.

4.1.1   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 Council'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 Council'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, ensuring there are alternative procedures in place to make sure 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 reports to councillors.

4.3   The Chief Finance Officer is responsible for ensuring that the annual Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting In The United Kingdom. Due to the resourcing and capacity challenges that external auditors have experienced over the last 18 months, the independent external audit of the 2020/21 Statement of Accounts was completed in April 2023, and the external audit of the 2021/22 Statement of Accounts has not yet been finalised. Whilst this is not a reflection on the effectiveness of the Council's governance arrangements or on the quality of the draft Statement of Accounts, it does mean that the Council and its partners and stakeholders do not yet have the assurances they seek from a fully audited and unqualified signed set of accounts for 2021/22. Also, during 2023/24 the Council's finance team will now have to manage the finalisation of the independent external audit for both the 2021/22 and 2022/23 financial years. Discussions for planning this programme of activity are ongoing with the external audit teams, as new external auditors have been appointed to deliver the audit of the 2023/24 statement of accounts.

5.   Review of effectiveness

5.1   The 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 Senior Leadership Group, work undertaken by the Good Governance Group (moving to a new officer Governance Board in March 2023), the Head of Internal Audit's annual report, and by comments made by external auditors and other external agencies and inspectorates. The Council has also undertaken an evidenced based self-assessment against each of the 17 standards contained within the CIPFA Financial Management Code (see section 5.37).

5.2   The year 2022/23 has seen the Council undertake several landmark internal activities including, delivery of a new Corporate Plan and implementation of Service Planning, the appointment of a new permanent Chief Executive, as well as responding to a Local Government Association (LGA) Corporate Peer Challenge. The backdrop to which has seen the Council's services step up to respond to residents who have been facing the cost-of-living crisis. This significant increased demand for support at a time of inflationary cost pressures across all service areas has resulted in staff pressures and difficult budget decisions. Following the declaration of a cost-of-living emergency, the Council set up a councillor and officer working party to deliver a suit of bespoke activity. This was alongside the development and publication of a partnership co-produced 'Tackling Poverty Strategy 2023 to 2026'. The latter part of the year has seen the Council embark on a wholesale review of its operating model and service standards so that it can continue to balance its budget and meet the needs of its residents and communities.

5.3   Internal activity

5.4   The councillor development programme, co-designed with councillors, equips them with the skills and knowledge they need to be an effective 21st century councillor. A number of activities have been progressed to include improvements to the dedicated councillor support hub (to improve handling of councillor enquiries); an improved induction programme; improvements to councillor's ICT requirements; more political awareness training for officers; a buddy system where senior officers support all newly elected councillors, and opportunities for better understanding respective roles and how these can be mutually supportive. These measures aim to support effective working relationships between councillors and officers and this work continues to be reviewed and enhanced for ongoing effectiveness.

5.5   Eleven reports were called-in from the Cabinet or referred directly for scrutiny by the People Scrutiny Committee. Thirty-seven reports were called-in or referred to the Place Scrutiny Committee for review and twenty-nine reports were called-in or referred directly to the Policy and Resources Scrutiny Committee.

5.6   An in-depth scrutiny project on behalf of the People Scrutiny Committee for 2022/23 covered the topic 'Providing First-Class Services for Families of Children with Special Educational Needs and Disabilities.' The project for the Policy and Resources Scrutiny Committee was 'Developing Strong Governance at Southend-on-Sea City Council: Strengthening Joint Working Between Councillors and Officers.' The in-depth Scrutiny Project for Place Scrutiny Committee was 'Preparing Southend for the EV Revolution'.

5.7   The Service Design Team support the Council by facilitating the planning and co-ordination of the Transformation Blueprint work. The next stage, starting in summer 2023, will see a rapid 14-week investigation and planning period and includes the review and future state design of 51 service areas within the organisation. The outcome will create implementation plans for change. After this period, the change programme will be delivered over the coming months and years.

5.8   In addition, the Service Design Team have facilitated the implementation of the transition/ learning and development programme to support the new customer support service embed within the organisation.

5.9 The development of options for a Project Management Office (PMO) has been scoped by the Service Design Team to support the wider Transformation Blueprint work (see section 5.41). These plans have been developed and presented to the Corporate Leadership Team. Principles underpinning the PMO include enhancing and cascading current skill capacity across the Council. The functions of the PMO will cover: Programme and Project Management, Standards & Guidance, Business Management & Learning & Development. This will be central to the wider change programme within the Council and will be operational in summer 2023.

5.10 Mandatory e-learning for both data protection and cyber security is an annual event and was undertaken by staff and councillors, supplemented by alternative tailored training for those for who using an e-learning platform might not be appropriate. To support this learning, a number of email phishing exercises were undertaken to test the awareness and effectiveness of the training.

5.11 The Council's approach to cyber security is aligned to best practices and frameworks and is audited. Improvements in maturity are regularly self-assessed. A cyber security audit was completed and highlighted no high risk findings. A new approach to own device usage was trialled in ICT and across Digital Champions and will now be rolled out across all users. The Council's cyber security strategy will continue to increase maturity of understanding both within ICT, across officer teams and councillors.

5.12 Officer governance arrangements have continued to evolve, including in the introduction of four new boards to enable better focus on thematic issues and oversight functions. These include a new Governance Board, Performance Board, Strategy, Policy & Legislation Board and Transformation Board.

5.13 The Governance Board ensures that the Council has a robust method of scrutiny and appraisal to ensure delivery of the Council's Corporate Plan. The Board will act as a single point of assurance on governance within the Council. The Board advises the Corporate Leadership Team, General Purposes Committee and Cabinet on the adequacy of the governance arrangements and proposes areas for improvement. The Board reviews reports on Internal Audit, Risk & Governance, External Audit, Health and Safety, Business Continuity and other relevant documents. The Board is responsible for:
- Recommending changes to the Constitution
- Reviewing significant changes to governance policies
- Regularly reviewing governance structures
- Reporting on significant governance improvements and weaknesses to the General Purposes Committee
- Reviewing the Annual Governance Statement
- Ensuring the Council practices and embeds good governance in line with the Constitution and supporting policies and procedures
- Ensuring good practice of inclusive decision making through Data Protection Impact Assessments (DPIA) and Equality Analysis (EA).
- Overseeing development and implementation of key governance training and materials pertinent to running the Council effectively
- Reviewing reports about Internal Audit, Risk & Governance, External Audit and other relevant inspectorates
- Monitoring improvement plans and reporting to the Audit Committee

- Reviewing Ombudsman reports
- Reviewing the Council's Health & Safety compliance

5.14 The Performance Board ensures that the Council has a robust method of scrutiny and appraisal to ensure delivery of the Council's Corporate Plan. The Board advises the Corporate Leadership Team, Audit Committee and Cabinet on the performance arrangements and performance against the delivery of the Council's corporate priorities. The Board reviews reports from Corporate Strategy, Finance, HR, and Customer Support. The Performance Board is responsible for:
- Reviewing performance reporting against the delivery of the Council's Corporate Plan
- Reporting progress and key concerns to members
- Reviewing Council's statistical performance in Customer Support
- Oversight of implementation of the recommendations from the LGA Corporate Peer Challenge
- Providing the Corporate Leadership Team with a monthly highlight report.

5.15 The Strategy, Policy and Legislation Board will map all of the Council's policies and strategies, identifying gaps and allocating responsibility as required for updating existing policies or strategies or creating new ones. The Board is responsible for:
- Oversight of the development of the Council's Corporate Plan
- Reviewing all Council policies and strategies as and when required
- Allocating responsibility where policies and strategies require amendments.
- Identify all forthcoming consultations (legislation and guidance) concerning the Council and identifying responsibility for responding.
- Reviewing all new proposed policies and strategies prior to submission for decision

5.16 The Transformation Board will drive transformation aligned with strategic goals to enable the council to be modern and financially sustainable. The Board will continue to develop its measurable outcomes.
- Delivery of the transformation blueprint per the agreed project/programme plans and deliverables;
- Delivery of both the tactical and strategic workstreams;
- Achieving the savings stated in the GT blueprint- roughly £11.5 million each for the two workstreams;
- Achieving other savings identified;
- Delivery of the transformation recommendations from the LGA Corporate Peer Challenge;
- Ensuring the transformation programme is compliant with the Equalities Act and Data Protection Act and other relevant legislation.

5.17 A review of the Council's Constitution commenced in March 2021. Bevan Brittan solicitors were commissioned to carry out an initial review and reflect upon where the Constitution may be improved to better reflect how the Council wishes to operate. Following this review, the General Purposes Committee agreed to provide all councillors with the opportunity to engage in conversations supported by the Centre for Governance and Scrutiny (CfGS) about which aspects of the Constitution may be changed. The CfGS met with each party group, including non-aligned councillors, to discuss the working practices of the Constitution, providing learning and best practice from elsewhere, prior to facilitating cross party workshops in order to establish consensus on changes. Following the CfGS findings, the General

Purposes Committee have designed and implemented new pre-decision scrutiny rules. The new process will provide councillors with greater oversight of planned work and provide an opportunity to collaborate on key decisions ahead of Cabinet. This new process will commence in May 2023 and will enable both councillors and officers to gain more certainty about the timing of decisions as they progress through the governance process.

5.18 The coming year expects the General Purposes Committee to lead changes to the Council's delegation's framework.

5.19 External facing activity

5.20 The Council continue to work with partners in a number of ways. Following the allocation of UK Shared Prosperity Funds (UKSPF) in August 2022 the Council prepared an Investment Plan to secure the £1.3 million which it had provisionally been awarded. Following confirmation of funding in December 2022 the Council issued an open call for prospective projects to bid for funding for 2022/23 and 2023/24. The government directed priority themes (support to local entrepreneurial ecosystems and volunteering or social action) along with required outputs and outcomes was published on the Council's webpages. A media campaign also raised awareness. The Council used a proportion of the available capacity funding to engage consultants who provided independent analysis and scoring of the bids. The Council also recruited an Assessment Panel made up of local partners representing various groups in Southend who made the final decision on which bids should receive funding. Panel members included representatives from the Department of Work and Pensions, Citizens Advice, Southend Business Partnership, Essex Constabulary, Brentwood Council and local charities and community groups. To maintain independence and transparency in the process, an internal 'firewall' was established within the Council. This meant that those bidding from within the Council were not involved or privy to the process of assessment and decision making.

5.21 Funding was awarded to nine projects, and they are now in delivery and are submitting quarterly monitoring reports. A further call for projects will be conducted in Autumn 2023 to award the 2024/25 allocation.

5.22 From April 2022, the Health Protection Board had a wider remit to include all health hazards and infectious diseases, as well as screening and immunisation. In May 2022, the equivalent member led Oversight and Outbreak Board decided to retain its existence and continued to support the Health Protection Board, under the new name of the Heath Protection, Oversight and Engagement Board. Both of these Boards are accountable to the Southend Health and Wellbeing Board. In addition, the Council holds a seat on, and regularly engages with, the new Integrated Health Board.

5.23 Following the establishment of Porters Place Southend-on-Sea LLP as the joint venture partnership with Swan Housing Association, to progress the Better Queensway regeneration project in April 2019, the joint venture secured hybrid planning consent in March 2021 and has subsequently submitted a reserved matters application for the first phase of development. Through SELEP £4.2 million Get Building Fund was also secured to add to the £15 million Housing Infrastructure Fund previously secured from Homes England.

5.24 The impact of the pandemic and subsequent economic turmoil has resulted in Swan Housing Association merging with Sanctuary Housing Association, with Swan becoming a subsidiary of Sanctuary from February 2023. The business combination means that Swan Housing remains the council's partner in the LLP but that it has greater business and financial strength as a subsidiary of Sanctuary, a much larger and more robust housing association. Swan Housing Association completed its merger with Sanctuary Group at the end of November 2022. Sanctuary is completing its due diligence around the whole of the Swan Group of companies and all development ventures including Better Queensway. This due diligence will inform Sanctuary's ongoing involvement in the Better Queensway development.

5.25 The Council has set December 2023 as the deadline for receipt of the revised business plan for Better Queensway. Based on informal discussions with Swan/Sanctuary the revised business plan is expected to be made available for Council review over the summer.

5.26 Vecteo, originally a joint venture company between Southend-on-Sea City Council and London Hire Community Services, was transferred back into full Council ownership in May 2023, following challenges encountered with service delivery and financial sustainability. The service significantly improved during the year and the company is continuing to work to further improve the arrangements, deliver increased consistency in the quality of service provided and value for money to the Council. Changes made to the Directors on the Board have increased the operational and financial management, and the Council and the company are working together to bring the service onto a sustainable operational and financial footing.

5.27 The Council's Waste Management contract has gone out to procurement in 2022/23 and is due to conclude in the next few months. A competitive dialogue process will allow the Council to work with the market to secure the best solution from both a financial and environmental perspective and thus deliver best value for taxpayers. Dialogue sessions have commenced with bidders.

5.28 The Council continued to be an active partner to the South East Local Enterprise Partnership (SELEP), with the Council represented by the Deputy Leader at the main (Strategic) Board and Accountability Board, and by the Portfolio Holder or Deputy Leader at the South Essex sub-board "Opportunity South Essex". The Council has funding from SELEP for which it is accountable.

5.29 In addition, the Council continued to act as the accountable body for a number of externally funded projects operating across Southend, South Essex and the wider South East. These include;

- the South East Business Boost (SEBB) European Regional Development Fund programme (although funding for this has now come to an end),

- the Enterprise Advisor Network provision in Southend (funded by SELEP) Business Essex Southend & Thurrock (BEST) Growth Hub and which

- the Construction Industry Training Board funded South Essex Construction Training Academy (SECTA).

5.30 Following an LGA Remote Peer Support of how the Council and partners can more effectively support 18–25-year-olds in the city (in October 2020), the Council revised the governance arrangements for Southend Adult Community College (SACC). A shadow internal board was established at the start of 2021 and went live in April 2021 when the Governing Body held its last meeting. An external Advisory Board was recruited and subsequently reviewed and disbanded. Updated governance arrangements have been put in place. The governance group meets monthly and will undertake regular reviews to check its effectiveness.

5.31 New developments for Ipeco, Costa, the Launchpad and Quad have been completed at the Airport Business Park Southend. The next phase of Ipeco development and new development for CAMA Assetstore will be on site in 2023. The Airport Business Park Southend Management Company manages the common parts of the estate, the service charge and reports into Shareholder Board.

5.32 The cross-party Shareholder Board, formed to oversee the governance of the Council's companies and joint ventures, chaired by the Leader and reporting to Cabinet, continued to meet. It received reports of all the Council's companies and joint ventures, including the accounts and business plans of South Essex Homes; Southend-on-Sea Forum Management Ltd (a zero-profit joint venture between the University of Essex, the Council and South Essex College set up to manage the property of The Forum); PSP Southend LLP, a joint venture company for property development; Southend Care; Porters Place Southend LLP, joint venture formed to regenerate the Queensway estate; LHCS and Southend Travel Partnership Ltd (Vecteo); and, Airport Business Park Southend Management Company Ltd.

5.33 The past year has seen the Council deepen its involvement in regional activity and partnerships. This includes exploring opportunities for local government devolution (as described in the Government's February 2022 Levelling Up white paper), as well as, continuing to support the Joint Committee and work programmes of the Association of South Essex Authorities (ASELA).

5.34 The latter has seen the Council support a resource review, including taking a leading role in the Digital workstream, as well as, performing the Committee's secretariat and taking on the Accountable Body function. As a means of scrutiny, the Council will continue to submit the minutes of the Joint Committee to the People and Resources Scrutiny Committee.

5.35 Devolution conversations have seen Thurrock, Essex County and Southend-on-Sea City Councils working together to understand how devolution might benefit the region. An Expression of Interest was submitted to government in March 2023, outlining an ambitious package of policy aspirations across the Greater Essex area. Working alongside the two upper tier authorities, districts, and key partners (including the Police, Fire and Crime Commissioners office and Local Enterprise Partnership), Southend-on-Sea officers are leading activity to scope potential governance structures. Councillors have been engaged in cross party briefings and a working party to learn more about this work and understand the potential benefits and implications for Southend. Discussions and negotiations with government are expected to take place over the summer before key decisions are presented to the councils for a decision and public consultation.

5.36 Financial management

5.37 The Council undertook a self-assessment against the six core principles and 17 standards contained within **CIPFA's Financial Management Code**. Officers reviewed the evidence of the Council's current arrangements compared to the Code's expectations and expressed their degree of confidence about how well these arrangements met the Code's expectations, using the RAG rating:

Red	Not compliant
Amber	Compliant but with scope for further improvement
Green	Compliant

5.38 The findings, reported to Audit Committee in April 2022, and followed up in November 2022 and April 2023, reported that the Council is self-assessed as achieving overall compliance with the expectations of the FM Code. The Council meets the minimum expectations for all 17 standards, with good compliance for 14 standards and demonstrable compliance, but with recognised scope for further improvement, for the three remaining standards.

5.39 2022/23 has again been an incredibly challenging year, with the Council now having to deal with significant increases in service demand post the COVID-19 pandemic combined with unavoidable rapid increases in operating costs across almost every aspect of the organisation. This has had a substantial impact on the Council's approved financial plans for 2022/23 and the challenge of delivering a balanced financial outturn for 2022/23 has been significant. Nearly all the financial pressures that the Council is now experiencing have been caused by external factors where the Council has no influence or control, and that have happened at great pace, since the Council's 2022/23 budget was approved in February 2022. Despite the financial challenges arising from the continuing national and local conditions, increasing cost and demand pressures, inflation and supply chain issues, the Council has managed its resources for 2022/23 within the approved budget with the use of some of its reserves that had been set aside for that purpose.

5.40 Significantly, the current financial landscape and operating environment for the Council remain extremely challenging and uncertain. While the Council remains financially resilient from the immediate range of local demand and spending pressures, the Council is currently predicting a cumulative budget gap of £29.8m to the end of 2027/28 (Council Budget Report February 2023) that must be addressed. Along with most local authorities, the Council continues to deal with the challenges of uncertainty, financial pressures, service demands and concerns for residents and local area. Coping with the aftermath of the pandemic has been exacerbated and made much more complex by the implications of the events in Ukraine and an unprecedented rise in energy and other prices. This has had a major financial impact on the Council's approved financial plans for 2022/23 and on its forecast for future years.

5.41 A new Transformational Blueprint was agreed as part of the Council's overall budget package which looks to provide a roadmap and framework for building a council that is fit for the future. The overall net cost reduction required to bridge the medium to long term deficit by 2027/28 requires a programme of work that not only supports the development of net cost reduction and transformation opportunities at a service level, but that also considers how these opportunities can be integrated into a renewed, sustainable, operating model. This will support the Council's future

financial sustainability; help target resources and re-design plans to avoid a financial 'cliff edge' that would then need drastic action over a short time frame.

5.42 Other measures to support a drive towards financial sustainability and shape priority focus include: on-going budget reviews; better linking of business planning and budgeting to service outcomes; effective and creative management of service demand; review of major contractual arrangements; further implementation of the Commissioning Framework; exploring new commercial opportunities; a range of income generation initiatives and continuing to enhance systems, processes and internal business transformation arrangements.

5.43 The Council's 'Getting to Know Your Business' programme for service managers continued to be embedded in 2022/23 and will be essential in assessing the new operating environment, financial challenges, and value for money of services. The ambition is that all service managers in the Council will have a comprehensive understanding of their business areas in terms of their benchmarked operational and financial performance, key demand and cost drivers, income levels, commercial opportunities, value for money and customer insight.

5.44 This programme, together with a comprehensive 'strategic-fit' review against the Southend 2050 ambition, new Corporate Plan, administration priorities, economic recovery aspirations and delivering better outcomes and value for money for local residents influenced the development of the investments, savings, income generation proposals and level of council tax agreed for 2023/24.

5.45 External challenge/inspection

5.46 In October 2022, the Council invited LGA peers to conduct a Corporate Peer Challenge (CPC), to provide an external assessment of its progress, and an opportunity for improvement lead review of the key challenges faced by the Council. The CPC considered questions from 5 core components: Local priorities and outcomes, Organisational and place leadership, Governance and Culture, Financial planning and management, Capacity for improvement.

5.47 The peer challenge was not an inspection, but improvement focussed. The CPC was designed to complement and add value to the Council's own performance and improvement plans. The peer team used their experience and knowledge of local government to reflect on the information presented to them by the people they met, things they saw and material they read. Preparation for the Challenge included reviewing a range of documents to ensure the peers were familiar with the Council and the challenges it is facing. The team then spent four days at the Civic Centre, during which they: Gathered information and views from more than 51 meetings, in addition to further research and reading; Spoke to more than 160 people including a range of council staff together with councillors and external stakeholders; and Observed four council meetings (two in person and two on-line).

5.48 The feedback highlights a range of positive findings. The peers found that the Council was very self-aware, has huge potential and that there are many positive attributes and assets both within the Council and city, including the strong community ethos, ambitious regeneration projects and sound financial management. However, peers found that the approach to leadership, governance and decision making is impacting the council's capacity to progress. As a result,

nine recommendations were made, many of which relate to the theme of governance and decision making. They are as follows:

- completing the review of the Council's Constitution,
- develop more effective councillor and officer working relationships,
- consider changing the election cycle,
- re-engage partners,
- align priorities to resources and capacity,
- better communicate difficult decisions,
- modernise operating systems,
- develop a plan to tackle spatial inequalities and disparities across the city,
- continue to engage in regional activity, such as Association of South Essex Local Authorities.

5.49 Cabinet accepted the peer's findings and recommendations and in response worked with the Senior Leadership Group to develop an Action Plan which begins to identify activity to enable the Council to take steps towards improving the issues identified. The Action Plan will be overseen by a cross party working party and further developed in collaboration with councillors. Key areas of activity are already in motion, and the LGA has endorsed their progression. These include continuing with the review of the constitution, continuing work to improve behaviours, reviewing the Council's operating model and ability to prioritise, and continuing to engage in region wide discussions. Peers will return to the Council to review progress against the Action Plan and support the Council to further embed its learning.

5.50 Ofsted and the Care Quality Commission (CQC) visited the Council area to inspect the local arrangements for children and young people with special educational needs and disabilities (SEND) between 2nd and 10th March 2023.

5.51 Southend is the fourth area to be inspected under the new framework, which came into effect earlier this year, its intention is to provide an independent, external evaluation of the effectiveness of the local area partnership's arrangements for children and young people with SEND. There were five inspectors, including the lead inspector in the inspection team.

5.52 Under this new inspection framework, the team undertook deep dives into specific cases, meeting with the children and their parent / carers, looked at responses to three separate questionnaires; one for children and young people, one for parent / carers and one for practitioners; and looked at a range of documents and information requested and submitted in advance of the inspection. The findings have not yet been published.

6.   Internal Audit

6.1   The annual risk-based Audit Plan was prepared in consultation with Directors, the Deputy Chief Executive, and the Chief Executive. It was developed by the Head of Internal Audit and approved by the Audit Committee. Terms of Reference and reports for specific audits are discussed with relevant Directors, Deputy Chief Executive, or the Chief Executive before being finalised, with the recommended actions required to mitigate risks summarised in an action plan.

6.2 Internal Audit revisits action plans where the report found either Partial or Minimal assurance. These actions are retested, and the result of this work is reported to management and the Audit Committee as part of the Quarterly Performance Report.

6.3 Draft Head of Internal Audit Opinion for the year ended 31 March 2023

6.4 Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. Such arrangements can take many forms and still be effective. Assurance is then required that these processes are fit for purpose and being applied throughout the organisation.

6.5 During 2022/23 the Council continued to be challenged by the external environment that it operates within, particularly in respect of the wider economic situation, with the impact of inflation, including the cost of energy, creating additional financial pressures for the Council, residents, the supply chain, and other stakeholders, as well as the wider impacts of the fallout from the Covid-19 pandemic. Significant changes that have occurred to the operations of the Council are becoming embedded, including many staff working remotely and the changes implemented to enable that remote working. These changes enabled the Council to deliver what was required in response to the pandemic, and similar focus now needs to be applied to the financial challenges that the Council is facing, so that the Council can address the medium-term budget gap that has arisen and bring the Council back into a financially sustainable position.

6.6 The Council continued to build on the work that had been undertaken to create the shared ambition for the borough, now City, and desired outcomes for its residents, visitors, students, and other stakeholders, through the adoption of a new Corporate Plan that aims to provide the necessary focus on the priorities for the Council, so that the Council's resources can be applied to the delivery of those priorities. Updates have been made to refresh the outcomes being sought and their delivery arrangements to ensure that these remain appropriate given the changed context and circumstances being encountered.

6.7 The Transformation Blueprint has been developed with external support to provide the focus that will be necessary to make the further changes that are required to transform the culture and the way that the Council operates, so that the Council shifts to a culture, a focus, a structure, and ways of working that are most appropriate, effective and financially sustainable to deliver the priority outcomes in the changed circumstances that the Council is now facing.

6.8 Management needs to continue to monitor both the actual and potential impact of these pressures, the progress against delivery of the Transformation Blueprint and programme to drive change that arises, as well as delivery of the Corporate Plan. Management and councillors need to be ready to adjust, if necessary, as the situation continues to evolve and the understanding of the impact on future needs and priorities becomes clearer.

6.9 There is much to do, and the Council is working to deliver and meet these multiple challenges. As a result, there continues to be updates made to way the Council is operating. The governance arrangements have been reworked during the year and need to become effective and embedded to provide the framework that will drive the delivery of what is required to address the multiple challenges faced. The

Transformation Blueprint and change programme will review ways of working, and therefore there is a need for changes arising to have the opportunity to be established and embedded before assurance can be provided that they are working effectively as intended. Management continues to work in the context of ongoing change and challenges arising from the external environment, which makes it difficult to achieve a period of stability that would assist with implementing and embedding revised arrangements.

6.10 With regards to the assurance provided by audit work undertaken in these areas, the results of the work indicate that the design of the Council's risk management can be provided with satisfactory assurance, although the Risk Management Policy Statement and Strategy that has been reviewed and refreshed needs to be formally adopted, but partial assurance in respect of operation, as there is a need for further embedding of the arrangements within the services so that there is increased understanding of the need to capture the conversations about risk that are happening, to provide increased visibility, transparency and accountability for decision making around the risks below those on the corporate risk register. This has been partly addressed moving forward through the re-introduction of Service Plans for 2023/24.

6.11 The design and operation of internal control can be provided with satisfactory assurance, but issues have been highlighted in respect of the governance framework as operated for the year indicating that this requires the changes that have been introduced during the year to become effective and embedded before it can be considered to be satisfactory overall, therefore partial assurance is provided for the year. Work to further improve the governance framework and arrangements is being undertaken, as reflected in the Annual Governance Statement action plan, and will be reported to Members later in the year.

6.12 The basis for forming this opinion is an assessment of:
- the design and operation of the underpinning governance and assurance framework
- the range of individual opinions arising from risk based and other audit assignments that have been reported during the year, taking into account the relative significance of these areas
- whether management properly implement actions arising from audit work completed, to mitigate identified control risks within reasonable timescales
- observations from advisory and support work undertaken
- changes to the Council's Ambition, management structure and use of technology
- assurance from other providers including independent regulators and peer reviews
- the quality and performance of the Internal Audit service and the extent of compliance with the Public Sector Internal Audit Standards.

6.13 The Head of Internal Audit has not reviewed all risks and assurances relating to the Council's activities in coming to this opinion.

6.14 Compliance with Professional Standards, Head of Internal Audit Opinion

6.15 I can confirm that I have maintained an appropriate Quality and Improvement Programme (QAIP) during the year for the in-house team and work undertaken by contractors when being managed by the in-house team. As required by the Standards, this consisted of:

- on-going supervision and review of individual audit assignments completed by in-house staff or contractors working to in-house staff
- reporting on a limited set of performance targets to the Audit Committee (for all work done including that of external suppliers)
- reviewing the independent external assessment of compliance with the Standards which is required at least every five years and updating for the position for this year.

6.16 I have received assurance from external suppliers used that where they have undertaken work using their own audit approach, that are also compliant with the Standards.

7. Issues for the Annual Governance Statement

7.1 No issues have come to internal audit's attention this year, other than those already disclosed, that we believe need including in the Council's Annual Governance Statement.

8. External Inspections and assessments

8.1 Assurance over the control environment is also obtained from external inspections and assessments of service areas. External assessments for 2022/23 included:

- **LGA Corporate Peer Challenge – October 2022 –** as outlined above.

- **SEND Area Inspection – March 2022 –** as outlined above.

- **Schools -** There were 11 full Ofsted school inspections (plus 1 monitoring visit) completed during the financial year 2022/23. The overall position at April 2023 therefore was:

  ➢ Primary schools: 5 outstanding, 26 good, 21 requires improvement, 1 Inadequate.
  ➢ Secondary Schools: 5 outstanding, 5 good, 2 inadequate.
  ➢ Special schools: 1 outstanding, 3 good, 1 requires improvement.
  ➢ Pupil Referral Unit/alternative provision: 1 good, 1 requires improvement.
  This means that 88.46% of children were attending good or outstanding schools as of April 2023.

- **Adult Social care ratings:**
  ➢ Nursing homes: 2 outstanding, 8 good, 3 requires improvement and 1 inadequate.
  ➢ Residential homes: 2 outstanding, 51 good, 10 requires improvement, 2 inadequate.
  ➢ Domiciliary care agencies: 4 outstanding; 33 good; 6 requires improvement; 1 inadequate.

9. Conclusion

9.1 We have been advised on the result of the review of effectiveness of the governance framework by the Audit Committee and, although the arrangements fundamentally achieve their aims and meet the needs of the Council, it is recognised that there is scope for further development to ensure these are as effective as possible. Work is underway to make the necessary improvements.

9.2 Actions to be specifically addressed are outlined below.

Further actions to strengthen the Council's governance arrangements for 2022/23

No	Area	Action	Date of Implementation	Responsible Officer
1.	Governance and operating model	To progress the recommendations from the LGA CPC (see section 5.46) to continue with the review of constitution, consider changing to an all-out election cycle and modernise operating systems with particular focus on those that will support application of the governance framework.	March 2024	Director of Legal Services Director of Digital Enablement Executive Director Strategy & Change
2.	Risk management	To complete the implementation of the Risk Management Policy Statement and Strategy and then to build on and embed the risk management arrangements that support the delivery of the Council's Corporate Plan and Service Plans.	March 2024	Head of Internal Audit and Counter Fraud
3.	Transformation and financial sustainability	To proceed with the Transformation Blueprint and develop a programme of work that will revise the Council's operating model, structure and focus to deliver a modern and financially sustainable Council.	March 2024	Director of Transformation

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 POLKINGHORNE
CHIEF EXECUTIVE
DATE:

CLLR TONY COX
LEADER OF THE COUNCIL
DATE:

SBC Corporate Governance Actions – 2021/22 – Progress

No	Governance Issue	Action	Responsible Officer	Comment on Progress
1.	Governance Framework	To complete the review currently being undertaken to address the need to update and strengthen the governance arrangements and processes that underpin how the Council works. To engage with the LGA through the planned Corporate Peer Challenge and gain their insight into the planned work and how best to embed.	Interim Executive Director - Strategy, Change and Governance - Stephen Meah-Sims	The Centre for Governance and Scrutiny concluded their review into the Constitution and made several recommendations. A plan to address these is progressing with changing being implemented from April 2023. See 5.17 for further information. Officer governance processes saw a refresh of reports and guidance as well as the introduction of officer Boards including, see section 5.12 for full details. The LGA completed their Corporate Peer Challenge in October 2022 and made several recommendations. Cabinet accepted the LGA's findings and work is underway to implement improvements and learning. More information can be found at section 5.46
2	Risk Management	To complete the review currently being undertaken of the Risk Management Policy Statement and Strategy and then to update and embed the risk management arrangements that support the delivery of the Council's ambition and outcomes.	Head of Internal Audit and Counter Fraud - Andrew Barnes	An updated Risk Management and Policy Statement has been prepared, but still needs to be formally approved as part of an updated Local Code of Governance. Risk management training has been delivered to the Senior Leadership Group, and increased identification and recording

				of risks to meeting objectives has been undertaken and captured in the Service Plans for 2023/24.
3	Contract Management	To enhance the Council's approach to contract management through development of a bespoke contract and relationship management system, providing updates and reminders, the returns of quarterly KPI data and a data repository and audit tool for contract management of our most strategic contracts.	Head of Procurement – Lee White	The Electronic Contract Management System (ECMS) has been in place since the autumn of 2022, with training commenced on the system for a number of Level 1 contract managers (those managing the most strategic contracts at SCC). The next stage will see all contract managers for Level 1 contracts actively using the system by the end of 2023 and a number of those who attended the initial training and development of the system are already using the ECMS and are finding it extremely beneficial. It provides a system for all the data, reminders and also a full audit trail of how the contracts have progressed, are being managed and sets reminders for suppliers to update annual requirements such as insurances, accounts and reports. Contract Managers have also been provided with a Contract Management Manual and suite of tools to support them in their day to day management of contracts. Free Contract Management (CM) training is also now available for free through the Council's partnership with central government (Foundation Certification and also access to the CM Pioneer Programme).

| 4 | Project Management | To embed a new Programme Management Officer (PMO) operating model which will provide greater understanding of the capabilities required for strategy materialisation and project success. This will be achieved through greater coordination across priority areas including the governance and assurances processes required. | Interim Executive Director - Strategy, Change and Governance - Stephen Meah-Sims | PMO plans have been developed and presented to the Corporate Leadership Team. Principles underpinning the PMO include enhancing and cascading current skill capacity across the Council. The functions of the PMO will cover: Programme and Project Management, Standards & Guidance, Business Management & Learning & Development. This will be central to the wider change programme within the Council and will be in operational in summer 2023. |