

ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

Southampton City Council ("the 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.

The council has approved and adopted a Code of Corporate Governance that is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the code is on our website at <http://www.southampton.gov.uk/council-partners/decisionmaking/corporategovernance/> or can be obtained from the:

Head of Legal, HR and Democratic Services,
Southampton City Council,
Civic Centre,
Southampton,
SO14 7LY

This statement explains how the council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, cultures and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority 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.

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 and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the council for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

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THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the council's governance arrangements are as described below and include arrangements for:

(a) Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

There is a clear vision of the council's purpose and intended outcomes for citizens and service users that is communicated both within the organisation and to stakeholders.

The 'Southampton Connect Plan for 2012-2015' ("the Connect Plan") which is based on a single, comprehensive assessment of needs in the city (supported by resident feedback, a city profile and ward profiles) sets out a vision for the city and a challenging programme of ten priority projects.

Southampton Connect, was established in 2011 as a successor to the Southampton Partnership, and is a collaborative arrangement that seeks to address the key challenges facing Southampton. These include, at a national level, the Coalition Government's deficit reduction plan and, at a local level, the ongoing impact of the recession. The Southampton Connect approach builds upon our unique city collaborative ethos, relationships and networks, and represents a new way of working together to improve the City. Southampton Connect has recently reviewed its terms of reference and priorities.

The Southampton City Council Plan ("the Council Plan") sets out, in one concise document, the council's priorities, challenges and opportunities for the forthcoming period. It reflects the council's commitment to secure on-going improvements to services provided to residents, businesses and visitors to the city.

(b) Reviewing the authority's vision and its implications for the authority's governance arrangements

The council's vision is reflected in the Council Plan which sets out 'Our priorities', 'How we will work' and 'Our Challenges and Opportunities'. The 'Council Plan' covers a 3 year period and is reviewed periodically to ensure that it continues to reflect the needs and aspirations of our customers, services users and communities. A new Council Plan, for the period 2013-16, was formally approved by Full Council in July 2013. This replaced the previous plan that covered the period 2011-2014.

The council has adopted a Code of Corporate Governance ("CCG") which identifies, in one document, how the Council ensures that it runs itself in a lawful, structured, ethical and professional manner. The CCG is administered by the Head of Legal, HR and Democratic Services and is subject to an annual 'light touch' review with any recommendations presented to the Governance Committee.

(c) Translating the vision into objectives for the authority and its partnerships

The Connect Plan and the Council Plan include clearly defined priorities together with actions required to secure the desired outcomes. The intention is that strategic planning will be informed by the single needs assessment (Southampton Profile). The actions and measures in the Council Plan are delivered and monitored through specific commitments in the individual directorate plans.

(d) Measuring the quality of services for users, ensure they are delivered in accordance with the authority's objectives and to ensure they represent the best use of resources and value for money

The Council Plan identifies the 'Success Measures', and performance against these defined measures is monitored on a quarterly basis by the Council Management Team and reported to both Scrutiny and Cabinet. The reports contain details of current performance and identifies where targets are not being met and/or where slippage has occurred in delivering improvement measures. Following a review of policy, performance and systems, the council is implementing a revised approach to performance management.

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The Corporate Procurement Strategy and associated Contract Procedure Rules, which form part of the Council's Constitution, govern how the council buys the supplies, services and works that it needs. The council is committed to achieving Best Value from its suppliers and ensuring that goods and services are procured in the most efficient and effective way.

(e) Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements

The council has a Constitution that sets out how it operates, how decisions are made (including an Officer Scheme of Delegation) and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for the council to choose. The Constitution, which is divided into 15 Articles and sets out the detailed rules governing the council's business, is published on the internet at: <http://www.southampton.gov.uk/council-partners/decisionmaking/constitution.aspx>

(f) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The council's Constitution contains both an Officer Code of Conduct and a Members' Code of Conduct which set out the expected behavior and standards to be adhered to. In addition, a 'Disciplinary Policy and Code of Conduct' is in place for employees and sets out the standards of service and conduct that are expected of employees.

(g) Reviewing the effectiveness of the authority's decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.

The council's Constitution details how the council operates, including how decisions are made and the role of Overview and Scrutiny. It also includes an Officer Scheme of Delegation setting out the powers, duties or functions that may be exercised under Delegated Powers. The Head of Legal, HR and Democratic Services conducts an annual review of the council's constitutional arrangements, which is considered by the council's Governance Committee, in its governance role, prior to submission to the Annual General Meeting of the council in May.

(h) Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

The Governance Committee has responsibility to provide independent assurance on the adequacy of the risk management framework and the internal control and reporting environment, including (but not limited to) the reliability of the financial reporting process and the annual governance statement. In addition, the Committee needs to satisfy itself that appropriate action is being taken on risk and internal control related issues identified by the internal and external auditors and other review and inspection bodies.

The council has in place a Risk Management Policy and Strategy which sets out the council's overall approach to managing risk. The policy and strategy, which are formally approved by the Governance Committee, are subject to annual review to ensure that they continue to reflect good practice and remain aligned with current business processes and practices.

(i) Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

The council has in place an Anti-Fraud and Anti-Corruption Policy and Strategy which is published on the internet and reflects the council's approach and commitment to the prevention and detection of fraud and corruption.

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(j) Ensuring effective management of change and transformation

The council has in place a Change Programme which is led by the Lead Cabinet Member and supported by the Council Management Team via Change Programme Board. The key three aims of the programme are to secure 'Better outcomes for residents', 'Better quality of service' and 'Significantly reduce cost'. A co-ordinated, strategic approach has been agreed with the initial focus on 'Service Transformation', 'Working Environment Transformation' and 'Community Asset Transfer'. Delivery of the programme is via defined 'workstreams' with progress being reported to and monitored by the Change Programme Board. In addition, each service is required to complete a 'Blueprint' document. The 'Blueprint' document is intended to capture key service information in a standard format which is then used to support and inform the council in terms of taking a strategic approach to organisational redesign and proposals to meet the ongoing financial challenges.

(k) Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government (2010)'

The council's financial management arrangements conform with the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government (2010)'. The Head of Finance and IT (Chief Financial Officer) is professionally qualified and is a key member of the Council Management Team, helping to develop and implement strategy and deliver the key strategic objectives of the authority. The Head of Finance and IT has direct access to the Chief Executive and is actively involved in ensuring that all immediate and longer term risks and opportunities are considered, and in ensuring the strategic objectives are aligned to the longer-term finance strategy.

The Head of Finance and IT has an input into all major decisions and advises the Executive on financial matters. He is responsible for ensuring that budgets are agreed in advance, that the agreed budget is robust, to ensure value for money is provided by our services, and that the finance function is fit for purpose.

(l) Ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA 'Statement on the Role of the Head of Internal Audit (2010)'

The council's assurance arrangements conform with the governance requirements of the CIPFA 'Statement on the Role of the Head of Internal Audit (2010)'. The Head of Internal Audit (Chief Internal Auditor) is professionally qualified and is responsible for reviewing and reporting on the adequacy of the council's internal control environment, including the arrangements for achieving value for money.

The Chief Internal Auditor has direct access to the Chief Executive, and to the council's Monitoring Officer where matters arise relating to Chief Executive responsibility, legality and standards. Where it is considered necessary to the proper discharge of internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Governance Committee).

(m) Ensuring effective arrangements are in place for the discharge of the monitoring officer function

The Director of Corporate Services is designated as the Monitoring Officer with responsibility for ensuring compliance with established policies, procedures, laws and regulation, and reporting any actual or potential breaches of the law, or maladministration, to the full Council and/or to the Cabinet.

The Head of Legal, HR and Democratic Services is the nominated Deputy Monitoring Officer

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(n) Ensuring effective arrangements are in place for the discharge of the head of paid service function

The Chief Executive is designated as the Head of Paid Service with responsibility for leading the Council Management Team in driving forward the strategic agenda, set by Cabinet, improving the efficiency and performance of the council and ensuring that the community receives high quality, value-for-money services.

(o) Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities

The council has a formally constituted Governance Committee that undertakes the core functions of an audit committee and operates in accordance with CIPFA guidance. It provides independent assurance on the adequacy of the risk management framework and the internal control and reporting environment, including (but not limited to) the reliability of the financial reporting process and the annual governance statement.

(p) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

'Corporate Standards' are published on the internet and provide a summary of the most significant and important rules in the areas where the council must achieve compliance. They cover Legality and Corporate Governance (including decision-making, Finance, IS/IT, Property and Procurement).

In addition, the council's Financial Procedure Rules, which provide the framework for managing the council's financial affairs and the council's Contract Procedure Rules, which govern the method by which the council spends money on supplies, services and works, form part of the council's Constitution.

(q) Whistle blowing and receiving and investigating complaints from the public

The council is committed to the highest possible standards of openness, probity and accountability and has in place a 'Whistle blowing' Duty to Act Policy. This reflects the legal framework and obligation on the council to enable staff to raise concerns which may involve unlawful conduct, illegality, financial malpractice or dangers to the public, employees or the environment.

Complaints from the public are dealt with in accordance with the Complaints Policy which has been formally approved and is published on the council's website. There is a separate policy in place in respect of dealing with complaints made about Members.

(r) Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

The council is developing a revised Member Development Strategy which is aimed at providing a long-term view to learning and development whilst remaining sufficiently flexible to reflect changing priorities. The Member learning and development programmes currently includes the following:-

- Induction Programme;
- Member Mentoring Scheme;
- Regulatory Panel training;
- Skills training and workshops;
- Personal Development Planning;
- Cabinet Member training;
- Scrutiny training;
- Governance

Priorities for learning and development form part of the annual performance appraisal process with a requirement that training priorities link to achievement of objectives and service plans as well as on-going professional competence. In addition, a suite of 'Management Development' training modules is in place and available to new and existing managers to assist them in understanding and developing their core skills.

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(s) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The council believes that all people should have the opportunity to voice their opinions on issues that affect them. The views of customers and staff are actively sought by services via questionnaires, text messaging, focus groups and community consultation events. For example, a comprehensive consultation exercise was conducted to enable comments and suggestions from community groups and members of the public to be fed into the budget report 2013/14.

Information on 'Consultation' and 'Other ways to have your say' is also published on the council's website and provides an opportunity for stakeholders to voice their opinions and shape service delivery. The council has also led a Southampton Connect initiative to produce a single Southampton Profile which reflects consultation feedback. The purpose of this City profile is to provide a systematic analysis of needs provision opportunities and gaps in the City, based on accurate, relevant and up-to-date information that will inform collaborative work with partners, joint commissioning decisions and the priorities detailed in the Connect Plan. The Southampton Profile, which incorporates the Joint Strategic Needs Assessment, is a unique city resource bank that will be updated periodically.

(t) Enhancing the accountability for service delivery and effectiveness of other public service providers

The 'Priorities', 'Key Actions' and 'Success measures' identified in the Council Plan are monitored on a quarterly basis by the Council Management Team and reported to both Scrutiny and Cabinet. The reports contain details of performance and identify where targets are not being met or where slippage has occurred in delivering improvement measures. The council is currently considering the use of 'performance scorecards' at directorate and council levels.

A number of the council's key services are delivered in partnership with external service providers. These outsourced contracts are managed by a centralised Contract Management Team which provides a senior management interface between the council and our partnership service provider. All such arrangements include a suite of key performance indicators and are based upon a culture of continuous improvement, recognising the need to achieve a balance between the council's short term financial challenges and long term strategic aims.

(u) Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

A Partnership Code is in place and forms part of the council's Constitution. The Code identifies the headline considerations when developing a partnership and includes 'Aims & Objectives – is there clarity of purpose and is it compelling?' and 'Governance – how will decisions be made and acted upon?'. It is intended to ensure that sound governance arrangements are in place in respect of partner and partnership engagement and will continue to be reviewed as partnership working arrangements develop and evolve.

REVIEW OF EFFECTIVENESS

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 led by a 'Controls Assurance Management Group' (comprising the Section 151 Officer, Chair of the Governance Committee, Monitoring Officer and Chief Internal Auditor).

The review process, applied in respect of maintaining and reviewing the effectiveness of the system of internal control, is informed by:-

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- The views of Internal Audit regularly reported to Governance Committee via the 'Internal Audit: Progress Report' which include executive summaries of new reports published where critical weaknesses or unacceptable levels of risk were identified;
- The views of external auditors, regularly reported to the Governance Committee, including regular progress reports, the Annual Audit Letter and Annual Governance Report;
- The Chief Internal Auditors 'Annual Report and Opinion' on the adequacy and effectiveness of the Council's internal control environment;
- The Internal Audit Strategy and delivery of the annual operational plan;
- The work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment,
- The completion of an annual 'Self Assessment Statement' by Directors which covers the key processes and systems that comprise the council's governance arrangements and is intended to identify any areas where improvement or further development is required;
- Completion of an 'Assurance Framework' document which reflects the key components of the Council's overall governance and internal control environment. This document, which is based on CIPFA guidance, records the key controls in place, and sources of assurance, and identifies any significant gaps or weaknesses in key controls;
- The independent views of regulatory inspection agencies such as Ofsted and the Care Quality Commission;
- The Risk Management Policy and Strategy, specifically the Strategic and Directorate risk Registers;
- The work of the Governance Committee in relation to the discharge of its responsibility to lead on all aspects of corporate governance.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Governance Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

SIGNIFICANT GOVERNANCE ISSUES

The following significant governance issues have been identified:

	Governance Issue	Planned Action
1.	The Council's Anti Fraud and Corruption Policy and Strategy has not been updated since 2008.	Anti Fraud and Corruption Policy and Strategy to be reviewed and updated to reflect current good practice together with a commitment for future periodic reviews. Appropriate arrangements to be made to communicate the updated Policy and Strategy.
	Responsible Officer: Director of Corporate Services	Target for completion: Oct 2013

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2.	Performance management reporting arrangements need to capture and reflect the most up to date information or position and to enable improvement in outcomes.	A review of performance management arrangements has been undertaken and a new approach, in the form of a monthly 'scorecard' format, is being developed and will be in place in December.
Responsible Officer: Chief Executive / Director Place (Environment and Economy)		Target for completion: Dec 2013
3.	Reduced capacity and resilience within the senior management team.	Review of senior management structure and capacity will follow the new Chief Executive appointment in June 2013.
Responsible Officer: Chief Executive		Target for completion: Dec 2013
4.	Development of a co-ordinated and consistent approach to workforce learning and development including corporate induction and succession planning.	Delivery of the workstreams as part of the overall Workforce Plan
Responsible Officer: Director of Corporate Services		Target for completion: Mar 2014 (Year 1- Foundation Year Actions)
5.	The provision and access to internal/external training and development for members should be on a more structured basis and the scope and level of member engagement with internal learning and development opportunities needs to be reviewed.	A review of the approach and delivery of Member learning and development opportunities is being undertaken by the Governance Committee in consultation with Group Leaders and the Members User Group.
Responsible Officer: Director of Corporate Services		Target for completion: Sept 2013
6.	Understanding of and compliance with the council's 'Corporate Standards' by relevant officers.	A review of the current provision is being undertaken with a view to introducing a revised training programme for officers.
Responsible Officer: Director of Corporate Services		Target for completion: Oct 2013

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.

Signed

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Dawn Baxendale
 (Chief Executive)

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Councillor Simon Letts
 (Leader of the Council)

on behalf of Southampton City Council