

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 ‘Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016). A copy of the code is on our website at:

<http://www.southampton.gov.uk/council-democracy/corp-governance/>

or can be obtained from the:

Service Director – Legal and Business Operations
Southampton City Council,
Civic Centre,
Southampton,
SO14 7LY

This statement explains how the council has complied with the or local code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, Regulation 6(1), 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 council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. To demonstrate compliance with the principles of good corporate governance, the council must ensure that it does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

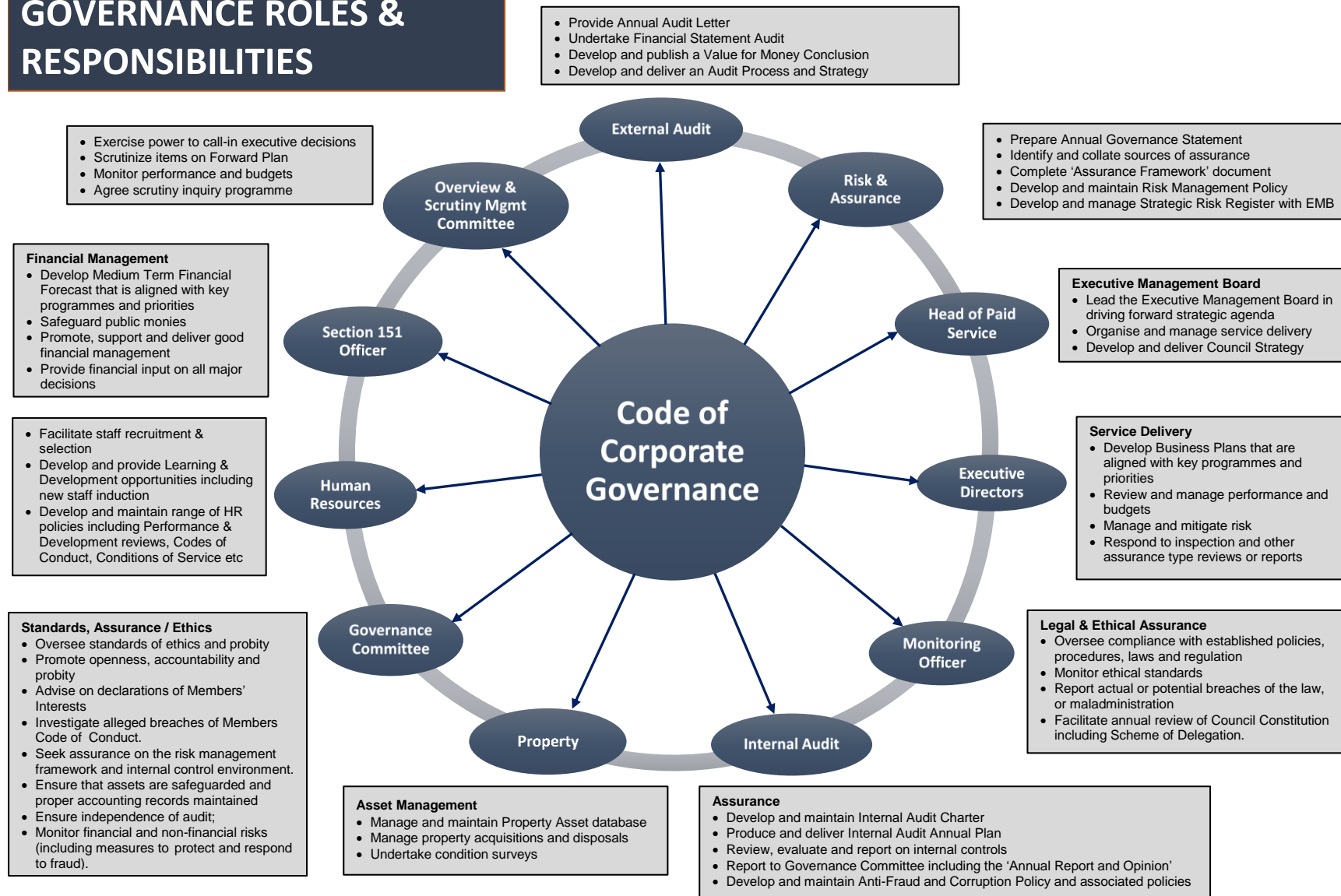
Good governance is crucial as it leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. Further, good governance enables an authority to pursue its aims effectively whilst controlling and managing risk.

The system of internal control 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 31st March 2021 and up to the date of approval of the statement of accounts.

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GOVERNANCE ROLES & RESPONSIBILITIES



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The Governance Framework

The fundamental function of good governance is to ensure that the council achieves its intended outcomes while acting in the public interest at all times. The following core, high level, principles in Sections A to G reflect the 7 core principles of good governance in the public sector are derived from the 'Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016)'.

Impact of the Covid-19 Pandemic on Governance

Responding to the COVID-19 pandemic has been the priority not only for central Government, but also local government over this last year. Southampton City Council has played a critical role in helping to lead the local response and, by necessity, quickly transformed the way in which governance was undertaken to ensure that the authority's statutory obligations and a transparent approach continued to be delivered.

In terms of decision making and democratic activity, at commencement of the first national lockdown it was identified that the usual decision-making processes may become impossible or unlawful to carry out. In March 2020, Council therefore resolved to temporarily suspend all parts of the Constitution that required formal decision making by Elected Members. In order to aid delivery of council functions during the pandemic, and to enable rapid responses to ever changing circumstances and national guidelines, further authority was delegated to the Chief Executive, Executive Directors and the Service Director; Legal and Business Operations, to exercise all decisions that would ordinarily be decided by members. Decisions would only be valid after consultation with the Leader of the Council and/or the relevant Cabinet Member as appropriate. The foregoing included the suspension of all financial limits and the 'Key Decision' criteria but did not include setting new strategic policy or council priorities which have a democratic mandate from the citizens of Southampton. Decisions taken under this route were advised to Full Council at subsequent meetings.

Local authorities were permitted to hold virtual meetings from 4 April 2020, when regulations came into force under the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 (SI 2020/392), made under section 78 of the Coronavirus Act 2020. The council held virtual committee meetings from 19th May 2020 utilising Microsoft Teams Live Events technology. These meetings were accessible by members of the public and all public meetings ran in this format for the remainder of the financial year, in accordance with temporary legislation. In addition to holding virtual committees, the council also hosted its schools' admissions appeals process in alternative paper based and virtual formats in accordance with The School Admissions (England) (Coronavirus) (Appeals Arrangements) (Amendment) Regulations 2020 and 2021.

The relevant Coronavirus Act powers only applied to council meetings that took place before 7 May 2021 and thereafter face-to-face meetings have resumed with appropriate Covid Safe precautions in place.

The local City Council and Police and Crime Commissioner elections that were due in May 2020, but were postponed in line with government direction, were held on 6th May 2021. It was a combined poll including the Police and Crime Commissioner elections for Hampshire and local city Councillor elections across Southampton. A range of Covid-19 safety measures and precautions were in place and communicated including a campaign to promote the opportunity of postal voting (across traditional and social media channels), mindful of the potential concerns about voting 'in person'.

Following the local elections, the '2020-2025 Southampton City Council Corporate Plan' was revised to articulate the priorities and ambitions of the new political administration. The revised '2021-2025 Corporate Plan' is published on the council website and provides a framework for assessing progress towards the priorities.

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In response to the imposition of the national lockdown in March 2020, the council enacted its emergency planning structure comprising strategic 'Gold Command', chaired by the Deputy Chief Executive together with an operational 'Silver Command' chaired by the Service Director, Business Development. Each group met to discuss, recommend and agree key operational and service delivery matters including reviewing the both the council's 'Covid Risk Log' and the 'Stop – Start' register, which tracked those services and activities that had to be stopped either due to lockdown restrictions or to enable additional resources to support the delivery of critical services. The frequency of both the 'Gold' and 'Silver' groups was revisited throughout 2020/21 to ensure that it was aligned with, and reflected, the current status of the pandemic in terms of spread of infection and impact on council services. There were also regular meetings between the council's Executive Management Board and Cabinet to provide updates on Covid-19 related issues.

The council's Emergency Preparedness, Resilience and Response Team together with the interim Director of Public Health and other relevant key officers have, and continue to work in close partnership with multi-agency forums and organisations across Southampton, and the Hampshire and Isle of Wight Local Resilience Forum (HIOW LRF) in response to the COVID-19 outbreak. A Southampton COVID-19 Health Protection Board was established to provide strategic system-wide leadership in preventing the spread of COVID-19 infection, and a Councillor-led Outbreak Engagement Board established to ensure robust public engagement and assurance in relation to outbreaks of COVID-19 infection.

The impact of Covid-19 pandemic 'stress tested' the council during 2020/21 who played a key role in helping to lead the local response in supporting residents and local businesses during these difficult times. A robust budget was set in February 2020/21 which factored in financial resilience and an allowance for potential risks. This, together with a variety of Government funding streams, supported the council during COVID-19 however the ongoing impacts of pandemic remain uncertain, both in terms of service pressures and economic impact. The Finance team continues to work closely with services to ensure that Covid related spend and pressures are captured, and monitoring information is regularly returned to the Ministry of Housing, Communities and Local Government. The council's Medium-Term Financial Forecast is under review, given the uncertainty that exists around both income streams and spending, largely as a result of COVID-19, and will be presented for consideration by Cabinet as part of the preparation for the budget 2022/23.

During 2020/21 staff and Members who were able to work remotely continued to do so in line with Government guidance. During 2020/21, the council was able to support an additional 1,800 members of staff to work from home regularly. Capacity of the remote connection was more than quadrupled and new technology implemented to make it more reliable and increase the range of services available outside of the office. Roll out of Microsoft office 365 and use of 'Teams' was accelerated to support this enhanced capacity, which was a part of existing plans, but which had to be much more quickly implemented than previously anticipated.

The importance of ensuring the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing took even greater prominence in 2020/21. A range of information, tools, support and guidance was provided and also covered issues such as work-life balance, working together and financial wellbeing.

The council also undertook a wide-ranging view of 'how we work', 'where we work' and the 'spaces we work in'. This is intended to use the lessons learned during the pandemic to shape 'how we will work in the future' and how we can positively impact the customer experience and to support wellbeing – physical and mental health. The 'Way We Work Programme' will develop new practices and standards in three workstreams; Technology, Working Spaces and People & Culture. The work is heavily influenced by feedback from staff who have been engaged through surveys and workshops.

Any further changes to the council's governance arrangements in response to the Covid-19 crisis will be assessed and its governance arrangements optimised to take account of the new operating environment with the medium to longer term impact on governance to be reflected and reported on the 2021/22 Annual Governance Statement.

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A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

The council's Constitution sets out how the council operates, how decisions are made and the procedures which are 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 is divided into 15 Articles which set out the basic rules governing the council's business. The Constitution is published on the council's website at:

<http://www.southampton.gov.uk/council-democracy/meetings/council-constitution.aspx>

The Constitution includes both Officers' and Members' Codes of Conduct which set out the expected behaviour and standards to be adhered to. In addition, there is a Code of Conduct for Employees which states the standards of conduct and behaviour expected of them in the course of their employment and where this extends into activities and interests outside of work.

The Service Director: Legal and Business Operations is the Monitoring Officer and has responsibility for ensuring compliance with established policies, procedures, laws and regulation, and reporting any actual or potential breaches of the law, or maladministration, to full Council and/or to Cabinet.

As part of the council's 'Leadership and Management' training an Ethical Leadership module was developed in 2020/21 with all managers and leaders encouraged to attend. The module explores the seven principles of public life and values and behaviours that underpin these.

A 'Whistleblowing Policy' (Duty to Act) is in place and published on the council's website. Whistleblowing is a way for employees to raise reasonably and honestly held concerns they may have about serious matters that could put the council and/or the wider public at risk. Whistleblowing usually involves bringing forward concerns that it is in the public interest to investigate and resolve. Examples are fraud, the giving or taking of bribes, financial malpractice, or practices that might endanger individuals or the environment.

As part of the commitment to safeguard public funds there is an 'Anti-Fraud, Bribery and Corruption Policy' that applies to any actual or suspected internal or external fraud, bribery, corruption and dishonest dealing that involve the council and or its Members and staff. It also applies to contractors, suppliers, partners, agents, intermediaries and service users. The council also has in place an 'Anti-Money Laundering' policy which sets out the expectations and responsibilities of both officers and Members in respect of preventing criminal activity through money laundering. This policy details the procedures that must be followed (for example reporting of suspicions of money laundering activity) to enable the council and staff to comply with their legal obligations.

Investigations and special reviews into suspected fraud or irregularities are overseen by an 'Investigation Steering Panel', comprising the Monitoring Officer, Chief Internal Auditor, Section 151 Officer (Chief Finance Officer) and the Service Director - Human Resources & Organisational Development.

The council takes any complaint that it receives seriously and has processes to ensure that every complaint is dealt with fairly and investigated and responded to as quickly as possible. The council welcomes hearing customers' comments, compliments, and complaints to better understand how they view our services and use these valuable opportunities to learn and improve for the future. There is a Corporate Services and Adult Social Care 'Customer Comments, Compliments and Complaints Policy' published on the council's website which explains how to make a complaint and how it will be dealt with. There is also a separate 'Children's Services Complaint Procedure' which is also published on the council's website. Complaints relating to Members are dealt with under the Members' Code of Conduct.

The council's 'Social Value and Green City Procurement Policy' reflects a commitment to proactively work to ensure that all goods, works and services that it procures are sourced ethically and sustainably;

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both in the way the council procures and in terms of the standards that the council expects its suppliers, service providers and contractors to meet.

The council also has in place a Modern Slavery and Human Trafficking Statement sets out the Council's current position and future plans to understand all potential modern slavery risks related to its business and to put in place steps that are aimed at ensuring that there is no slavery or human trafficking in its own business and/or in its supply chains.

B. Ensuring openness and comprehensive stakeholder engagement

The council supports the principle that people should have the opportunity to voice their opinions on issues that affect them. The views of customers are at the heart of the council's service delivery arrangements and are actively sought. The council's website includes a 'Have your say' section which provides information to residents, customers and other stakeholders on how they can 'have their say' on various issues using:

- Consultations
- Surveys and research
- E-Petitions
- Comments, compliments and complaints
- Have your say at meetings

Where appropriate, public consultation is used to seek the views of residents and stakeholders. For example, A public engagement exercise was undertaken with residents and stakeholders on the draft budget proposals between 16th December 2020 and 19th January 2021. The aim of this engagement exercise was to:

- Communicate clearly to residents and stakeholders the budget proposals for 2021/22;
- Ensure any resident, business or stakeholder who wished to comment on the proposals had the opportunity to do so, enabling them to raise any impacts the proposals may have; and
- Allow participants to propose alternative suggestions for consideration which they feel could achieve the objectives in a different way.

Southampton City Council, in conjunction with other local public service providers, also undertakes a 'City Survey' every two years to collect resident views on a range of topics. This provides an opportunity to get views of a representative sample of Southampton residents on key / priority issues and to gain better understanding of perceptions on how we are doing as a council and as a city. The surveys also include a set of common Local Government Association questions which allows Southampton to be benchmarked against the national average and for trends to be tracked over time. Full results are available on the Southampton Data Observatory: <https://data.southampton.gov.uk/> The latest survey ran between October 2020 and December 2020 and included questions on:

- Opinion on the local area
- Opinion on council and other public services
- Communications and Digital exclusion
- Employment
- City of Culture bid
- Transport
- Wellbeing

In addition, four 'Covid-19 Residents Surveys' were undertaken in 2020 and were intended to provide both the council and other agencies across the city with an understanding of how residents were interpreting national guidance, how the pandemic was impacting residents' lives, and concerns that residents may have had during this time. This feedback was used to support the local response and to aid recovery efforts across the city.

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The council has in place a 'People's Panel' which now has a membership of over 3,200 people and is open to anyone over the age of 18 to join. This Panel comprises a group of residents who take part in surveys and other opportunities to express their views on council services, health services and living in the city. Run by Southampton City Council and with support from the University of Southampton, the People's Panel has been active since 2015 and the results from surveys have been used to inform a number of decisions and service changes.

In order to understand the demographic makeup of People's Panel, members are asked questions like age, gender, ethnicity and this information may be used to target engagement activities to certain groups in the city. On all wider engagement and consultation exercises, the demographic breakdown of respondents is reviewed to help ensure they are representative of Southampton residents and to identify where further targeted communications may be appropriate.

There is a strong focus on youth participation in the city with 'Youth Forum Southampton' providing opportunity for young people to influence how services are delivered, highlight issues that need to be reviewed and to help shape public services for the community. The 'Southampton Speak Up! - Children and Young People's Participation Strategy 2016-2020' is also intended to provide children and young people with 'a voice and a choice' explains how young people can get involved to help make the city a better place. This strategy is being reviewed and a Participation Action plan is being developed to sit underneath the new Southampton Children and Young People's Strategy 2022 – 2027. Elections have also been held for Southampton's own Member of Youth Parliament who is now in place.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The Southampton City Council Corporate Plan ('Corporate Plan') sets out how the council will create the environment to achieve the vision of Southampton as a city of opportunity. The Corporate Plan is delivered through detailed business plans, delivering on key priorities and initiatives, and working positively with partners. Underpinning this is work to support the council as a sustainable organisation, increasing commercial opportunities to generate income, and ensuring that the council is both solid in its financial position and flexible enough to identify important trends and respond to a changing environment.

The '2020-2025 Corporate Plan', that was in place during 2020-2021, was revised following the local elections in May 2021 to articulate the priorities and ambitions of the new political administration. The revised '2021-2025 Corporate Plan' is published on the council website and provides a framework for assessing progress towards those priorities. The vision of Southampton as a city of opportunity will be delivered by five workstreams: 1. Growth, 2. Wellbeing, 3. Our Greener City, 4. Communities, Culture and Heritage and 5. A council that works for and with you.

Progress in respect the commitments, initiatives and priorities is monitored, reviewed and updated on a six-monthly basis. The updated document is reviewed by both the council's Executive Management Board and Cabinet and is then published on the council's website. In addition, progress against the major Programmes and Projects within the Corporate Plan is also presented to the council's Governance Committee every 6 months.

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To achieve the council's priority outcomes employees are expected to demonstrate the council's organisational values. These reflect the importance that the council places on behaviours, and the way that employees engage with customers, partners and colleagues:



There are also other key strategies that reflect the vision and ambition of both the city and wider region including the Southampton City Strategy (2015-2025) which is a partnership strategy that sets out the vision for the whole city. Southampton Connect is responsible for the delivery of the Southampton City Strategy with the vision that Southampton is a city of opportunity where everyone thrives. Southampton Connect is an independent partnership which brings together senior city representatives seeking to address the key challenges and opportunities for Southampton and working with the city's key partners to improve the outcomes of the people of Southampton.

At a sub-regional level delivery of key outcomes and priorities are achieved through the Partnership for South Hampshire ('PfSH'), the Solent Local Enterprise Partnership ('LEP') and Solent Transport.

PfSH is a collaborative partnership working arrangement between the twelve South Hampshire local authorities, Hampshire County Council plus the Southampton and Portsmouth Unitary Councils. PfSH is focused on supporting economic growth, delivery of housing, the infrastructure to achieve this development, in a sustainable manner to maintain and enhance the quality of the environment. PfSH engages with a range of other local organisations, stakeholders and Government to achieve these aims

The Solent LEP is a locally-owned partnership between businesses and local authorities and plays a central role in determining local economic priorities and undertaking activities to drive economic growth and the creation of local jobs. The Board of the Solent LEP is democratically elected by its members, who are drawn from the area's key business, education and local authorities. On a wider basis, working with local authority partners, has seen the creation of the Solent Leaders Forum, further strengthening joint working and collaboration across the area. In 2019 a new Solent LEP geography was created now extending further westwards to encompass the whole of the New Forest. In 2021 the Solent LEP will develop a new future facing strategy called Solent 2050.

Solent Transport is a sub-regional transport partnership that comprises Portsmouth, Southampton, the Isle of Wight and Hampshire County Council. It was created in 2007 as Transport for South Hampshire and was rebranded to Solent Transport in 2014. Solent Transport and its partner bodies are important members of Transport for the South East (TFSE). The partnership creates a platform for joint working, standards and partnership leading to innovation, excellence and parity in transport provision across the Solent Transport area. The partnership works strategically with private industry, key stakeholders and other agencies to deliver transport infrastructure, networks and systems crucial to keep the region moving and generate economic growth, wealth and sustainability.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

The council has in place a robust decision-making process that clearly sets out the actions and accountability in terms of who, when and how decisions are taken and where responsibility for decisions making rests. All decision reports are required to be submitted using a standard report template which identifies the 'Decision Maker', the decision or action required, why the report is recommended, alternative options considered together with a 'Detail' (including Consultation carried out) section. The template also includes separate sections detailing any Financial/Resource, Legal, Risk and Policy implications. Where appropriate these comment on how proposals will be paid for, the statutory power

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to undertake the action and/or relevant legislation that affect the proposals, any significant risks associated with the decision that need to be considered and that confirmation that the proposals are in accordance with the council's approved Policy Framework. Report authors are required to consult with relevant departments as part of the preparation and development of a report. This will always include Democratic Support, Corporate Legal and Finance but may also include Property, IT etc if the proposals within the draft report are relevant to these areas. All decision reports are signed off by the relevant Executive Director and Cabinet Member.

The council's Overview and Scrutiny Management Committee ("OSMC") manages the council's overview and scrutiny process which includes scrutinising items on the council's Forward Plan and exercising the power to call-in executive decisions, agreeing the scrutiny inquiry programme and monitoring performance and budgets, Scrutiny provides the role of the "critical friend" to the decision makers and assists in policy development, drives improvement in public services and enables the voice of the public to be heard. There are a number of Scrutiny Panels that support the work of the Executive and the council as a whole. The Scrutiny Inquiry Panel carries out a work programme of scrutiny inquiries approved by the OSMC. In addition, the Health Overview and Scrutiny Panel undertakes the statutory scrutiny of health and adult social care agencies in Southampton, and the Children and Families Scrutiny Panel scrutinises services for children and families in the city, including education.

Due to Covid-19 all scrutiny meetings were held remotely with members of the public able to view meetings live via the council's website. To enable public engagement interested residents or groups were invited to submit questions in writing in advance of the committee or panel meeting. At the discretion of the Chair, members of the public or stakeholder groups who have expressed an interest in contributing on a specific agenda item were invited to attend the virtual scrutiny meeting to contribute to the discussion. In addition, scrutiny inquiries continue to consider written evidence and members of the public, community groups, or other key stakeholders can write in to bring evidence to the attention of the Inquiry Panel members.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

The council has in place a Workforce Strategy which is intended to enable the council to develop its current and future workforce with the right skills, competencies and behaviours to deliver services. The Workforce Strategy sets out a high-level vision, priorities and outcomes to develop and nurture a motivated and effective workforce who will deliver the council's priorities. The priority outcomes delivered by the Workforce Strategy will be:

- Recognised as an employer of choice;
- A high performing workforce;
- Good management across the council;
- Evidenced based decision making, planning and delivery;
- A highly motivated and engaged workforce;
- Staff empowered to make decisions;
- An effective Member Development programme for councillors; and
- Demonstrable valuing of diversity and equality.

The Workforce Strategy is a key document that sits alongside the both the Medium-Term Financial Forecast, the Wellbeing Strategy and the Customer Strategy and takes account of challenges in relation to the overall council budget. It is used to inform resource allocation decisions, organisational development and business planning, drive positive change and the delivery of agreed outcomes.

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The council also has in place a Workplace equalities policy which reflects the council's long-standing commitment towards the elimination of discrimination and the achievement of equality of outcomes for residents, communities and staff as reflected in our published priorities and organisational values. The policy reaffirms the council's commitment to eliminate discrimination in all that we do and help achieve equality of opportunity and outcomes for our staff and the communities it serves. New initiatives under this broad umbrella include a specific focus for 2021 onwards on Diversity and Inclusion with priorities set by staff workshops.

F. Managing risk and performance through robust internal control and strong public financial management

The council's Governance Committee has responsibility to provide independent assurance on the adequacy of the risk management framework and the internal control and reporting environment and the integrity of the financial reporting and annual governance statement process. The Governance Committee undertakes the core functions of an audit committee and operates in accordance with CIPFA guidance. It receives a range of periodic reports relating to both the internal control environment and financial management including receiving the draft Statement of Accounts. The Committee receives an annual Risk Management Report that summarises the framework and arrangements in place to manage risk and is intended to provide the Committee with both information and assurance regarding how risk is managed. This includes reference to the council's 'Risk Management Policy' that sets out the framework, arrangements and responsibilities in respect of how risks relating to the delivery of key outcomes and priorities, are identified and managed. This policy is intended to support the application of robust risk management principles and practices across all service areas. There is also a range of associated guidance documents, templates and other tools to support officers in identifying and managing risk.

A key element of the council's risk management framework is the council's Strategic Risk Register which is developed in consultation with Executive Directors. This document reflects the key strategic risks that have been identified as needing to be managed in order to support the delivery of the council's key initiatives and priorities. The Strategic Risk Register is updated and reviewed by the Executive Management Team on a quarterly basis and identifies how the individual risks are being managed together with an assessment of the effectiveness of the arrangements in place. An 'exceptions report' identifies any gaps or weaknesses with a requirement that further mitigating actions be developed and actioned as necessary.

Risk management forms an important and integral part of the council's project management methodology with risk registers having been used extensively in respect of managing and supporting the council's response to Covid-19 and including supporting information decision taking.

Effective financial management is key to managing the delivery of a vast range of council services either directly or through/with others and ultimately improving the quality of life for residents. The council's Medium Term Financial Forecast ('MTFF') 2021/22 – 2024/25 provides a strategic financial framework and a forward looking approach to achieve long term financial sustainability for the council. It is central to the delivery of the council's priorities in an affordable and sustainable way over the medium term. It also aids robust and methodical planning as it forecasts the council's financial position taking into account known pressures, major issues affecting the council's finances, including external economic influences as well as local priorities and factors.

The MTFF helps the council to respond, in a considered manner, to pressures and changes as a result of internal and external influences. This is particularly important during a period when the council faces considerable pressures and challenges, such as those relating to the Covid-19 pandemic. The MTFF recognises the key role that financial resources play in the future delivery of priorities and in enabling the effective planning, management and delivery of services. The approach concentrates on the principles that will provide a strong direction for the medium term. The key objectives of the MTFF are to:

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- Provide financial parameters within which budget and service planning should take place;
- Ensure that the council sets a balanced and sustainable budget;
- Focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources. Ensuring services are defined on the basis of clear alignment between priority and affordability;
- Ensure that the council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area;
- Plan the level of fees, charges and taxation in line with levels that the council regard as being necessary, acceptable and affordable to meet the council's aims, objectives, policies and priorities whilst gradually reducing the council's reliance on Central Government funding; and
- Ensure that the council's long term financial health and viability remain sound.

The MTFP enables integrated service and financial planning over the medium term, using a business planning approach. The resulting Medium Term Financial Model provides the framework within which decisions relating to future service provision can be made.

The Chartered Institute of Public Finance and Accountancy ("CIPFA") has published a new Financial Management Code for authorities to adhere to. The CIPFA Financial Management Code 2019 (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code sets out the standards of financial management for local authorities, based on broad principles. It does not prescribe the financial management processes that local authorities should adopt but requires each authority to demonstrate that its processes satisfy the principles of good financial management. 2020/21 was the 'shadow' year for the implementation of the FM Code with the first year of compliance being 2021/22. Future budget updates to both Cabinet and Council will indicate how the processes adopted by the council ensure compliance with the standards set out in the Code.

As part its preparations for embedding enhanced standards of financial management the council undertook a self-assessment against the new FM Code in order to identify any significant gaps or areas for development. The conclusion of the self-assessment was that the council broadly operates within the expected principles, however a few areas to further strengthen our processes were identified such as ensuring the senior management team (the Executive Management Board) were up to date with the work on financial resilience and how Southampton compares with other council's and that the Financial Procedure Rules were fully up to date. The necessary areas for improvement will also be tabled at the Executive Management Board for discussion and the plan monitored for its implementation.

The council's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer ("CFO") in Local Government. The CFO (the Executive Director for Finance and Commercialisation and Section 151 Officer) is professionally qualified and is a key member of the Executive Management Team and reports directly to the Chief Executive. The CFO is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the council's overall financial strategy. The CFO is also responsible for leading, directing and ensuring that the finance function is fit for purpose.

The council has in place 'Business Plans' at service level that are aligned with the council's priorities and outcomes as set out in the Corporate Plan. The business plans provide an overview of the services being delivered together with the outcomes (and outputs) that are looking to be achieved. The council undertakes an annual business planning and budgeting process with all Service Business plans required to be reviewed to ensure that they reflect changing circumstances, methods of service provision, impact on the budget and the needs of customers. An important part of the process is the 'sustainability/challenge' sessions that focus, in particular, on current and future service costs including opportunities for income growth.

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All significant commercial partnership working arrangements also have a range of performance indicators which are used to monitor, verify and manage service performance. The council is committed to achieving best value from its contracts and ensuring that goods, services and works are procured, and contract managed in the most efficient and effective way throughout the lifecycle of the contract. Regular review meetings are held with key suppliers in order to ensure that contracts remain fit for purpose. Contract Management Teams in the Supplier Management Team and the Integrated Commissioning Unit support the council in managing contracts throughout the lifecycle of the contract and provide senior management interfaces between the council and our partnership service providers.

G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

The council is committed to openness and transparency and publishing as much council data as it can in order to increase accountability. The 'Council Data' page on the council's website allows the public to access a wide range of information and data that is published in accordance with the Local Government Transparency Code (2015).

The council's Constitution sets out how decisions are made and makes specific reference to decision making by Full Council, by the Executive (Cabinet), by Overview and Scrutiny Committees, other committees and sub-committees established by the council and by council bodies acting as tribunals. The Constitution also includes an Officer Scheme of Delegation which sets out the powers and functions that are delegated to named Council Officers. The compilation of a Register of Delegated Powers is a statutory requirement and is maintained by the Service Director: Legal & Business Operations.

The council produces a Forward Plan of all Key Decisions which are proposed to be taken within the next four months (updated monthly 28 clear days prior to scheduled Cabinet meetings on a rolling basis). Other decisions are also included where practicable to assist in providing public transparency and confidence in decision making. All agendas and minutes of meetings in respect of Council, Cabinet, Overview and Scrutiny, Non-Executive Committees and statutory boards and published on the council's website.

The council's assurance arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Head of Internal Audit in public service organisations (2010)' noting that an updated version of the document was published by CIPFA in April 2019. This updated statement mirrors the Public Sector Internal Audit Standards and is embedded in the Internal Audit Charter & Code of Ethics. 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).

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 Executive Director for Finance and Commercialisation and Section 151 Officer, Chair of the Governance Committee, Executive Director Business Services, Service Director – Legal & Business Operations (Monitoring Officer) and the 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 includes executive summaries of new reports published and highlights any comments. The Committee is able to request any director to attend a meeting to discuss the issues.
- The views of external auditors, regularly reported to the Governance Committee, including regular progress reports, the Annual Audit Letter and Audit Results Report.
- The Chief Internal Auditors 'Annual Report and Opinion' on the adequacy and effectiveness of the council's internal control environment: The Chief Internal Auditor's opinion for 2020-21 was that a 'limited assurance' opinion was given on the effectiveness of the arrangements relating to the framework of governance, risk management and control at Southampton City Council. The results of the work carried out in 2020/21 show that the level of 'limited reviews' have decreased from the previous year which would indicate that improvements are continuing, and that the effectiveness of the internal control environment is therefore improving. This is a positive indicator despite the overall assurance level of 'limited' that has been attributed to this year.
- The Internal Audit Charter and delivery of the annual Internal Audit plan but noting that the Audit Plan of assignments was reduced compared to the previous year to reflect the level of resource lost during 2020-21 due to the impact of Covid and the temporary redeployment of some audit staff during this period. The reduction was based on a re-evaluation of the risk level of the activity and an assessment of the requirements of the council and its immediate priorities.
- The work of the Chief Executive, Executive Directors and Service Directors who have responsibility for the development and maintenance of the control and governance environment.
- The completion of 'AGS Self-Assessment Statements' that cover the key processes and systems that comprise the council's governance arrangements and are intended to identify any areas where improvement or further development is required. The self-assessments are completed by individual Heads of Service or Service Directors on behalf of their service areas in order to ensure that the most representative and comprehensive oversight is obtained, with the individual returns being signed off by the relevant Executive Director.
- Completion of an 'Assurance Framework' document which reflects the key components of the council's overall governance and internal control environment. This document, based on CIPFA/SOLACE 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 annual report on Risk Management and including the Risk Management Policy and Strategic Risk Register.
- 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.

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SIGNIFICANT GOVERNANCE ISSUES

The following significant governance issues have been identified:

1. Governance Issue

The council's response to the Covid-19 Pandemic has tested both overall organisational resilience as well as the resilience within individual service areas. In respect of the latter it is recognised that, particularly in areas where specialist technical or professional advice is provided, there is reliance on a limited number of key individuals. In part, this is also reflected in the inconsistency in respect of the extent to which succession planning has been formally considered within individual service areas across the council.

Planned Action: Heads of Service to work with their 'Human Resources Business Partner' to fully understand the tools available to develop and have in place appropriate service resilience and succession planning arrangements. The activity may be informed by information and data such as re workforce age profile, grading, structures etc. in order to identify key areas, activities or 'pinch points' where focussed attention is required.

In addition, three days of assistance from the Local Government Association is being provided to support the council in terms of gaining an understanding of where the current challenges and opportunities are for talent management and succession planning. Some Heads of Service and Service Managers, Trade Union representatives and HR&OD staff have been interviewed and workshops with groups of employees and managers will be held at the end of September 2021.

Responsible Officer: Directorate Management Teams with the support of their respective HR Business Partner

Target Date for completion: End Q4 2021-22 (with position reflected on the 21-22 AGS Self-Assessment returns)

2. Governance Issue

As part the preparations for embedding the enhanced standards of financial management reflected in new CIPFA Financial Management Code 2019 for 2021-22, the council undertook a self-assessment against the new Code in order to identify whether there were any significant gaps or areas for further development. The conclusion of the self-assessment was that the council broadly operates within the expected principles, however some areas to further strengthen existing processes were identified.

Planned Action: The necessary areas for improvement to be tabled at the senior management team (Executive Management Board) for discussion and the plan monitored for its implementation.

Responsible Officer: Executive Director for Finance and Commercialisation and Section 151 Officer

Target date for completion: End Q3 2021-22

3. Governance Issue

It is recognised that as a large complex organisation that delivers over 700 services there is an ongoing challenge to ensure consistency in terms of staff (both new and existing) awareness, understanding and compliance and with key policies, process and procedures.

Completed Action (End Q1 – 2021): The 'Performance and Development review' guidance that is published on the intranet now has a link that takes you through to a list of mandatory training (elements of which will vary according to the individuals' role). The list of mandatory training includes information governance, buying for the council, whistleblowing, anti-fraud and corruption etc.

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Planned Action: An 'Ethics and Values' training module, which forms part of a new 'Collaborative Leadership Programme', has been developed. This module, which is targeted at all team leaders and managers below senior level, explores the council's organisational values and ethics and looks at key council policies and frameworks. Managers through interactions as part of the 'Performance Management and Development Framework' and 'one to one' supervision meetings will be required to determine who should attend this training.

Responsible Officer: Directorate Management Teams

Target date for completion: End Q4 2021-22 re Ethics Module training (with position reflected on the 2021-22 AGS Self-Assessment returns)

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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Sandy Hopkins
Chief Executive

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Councillor Dan Fitzhenry
Leader of the Council

on behalf of Southampton City Council