

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:

Director of Governance, Legal and HR
Southampton City Council,
Civic Centre,
Southampton,
SO14 7LY

This statement explains how the council has complied with the local code and 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.

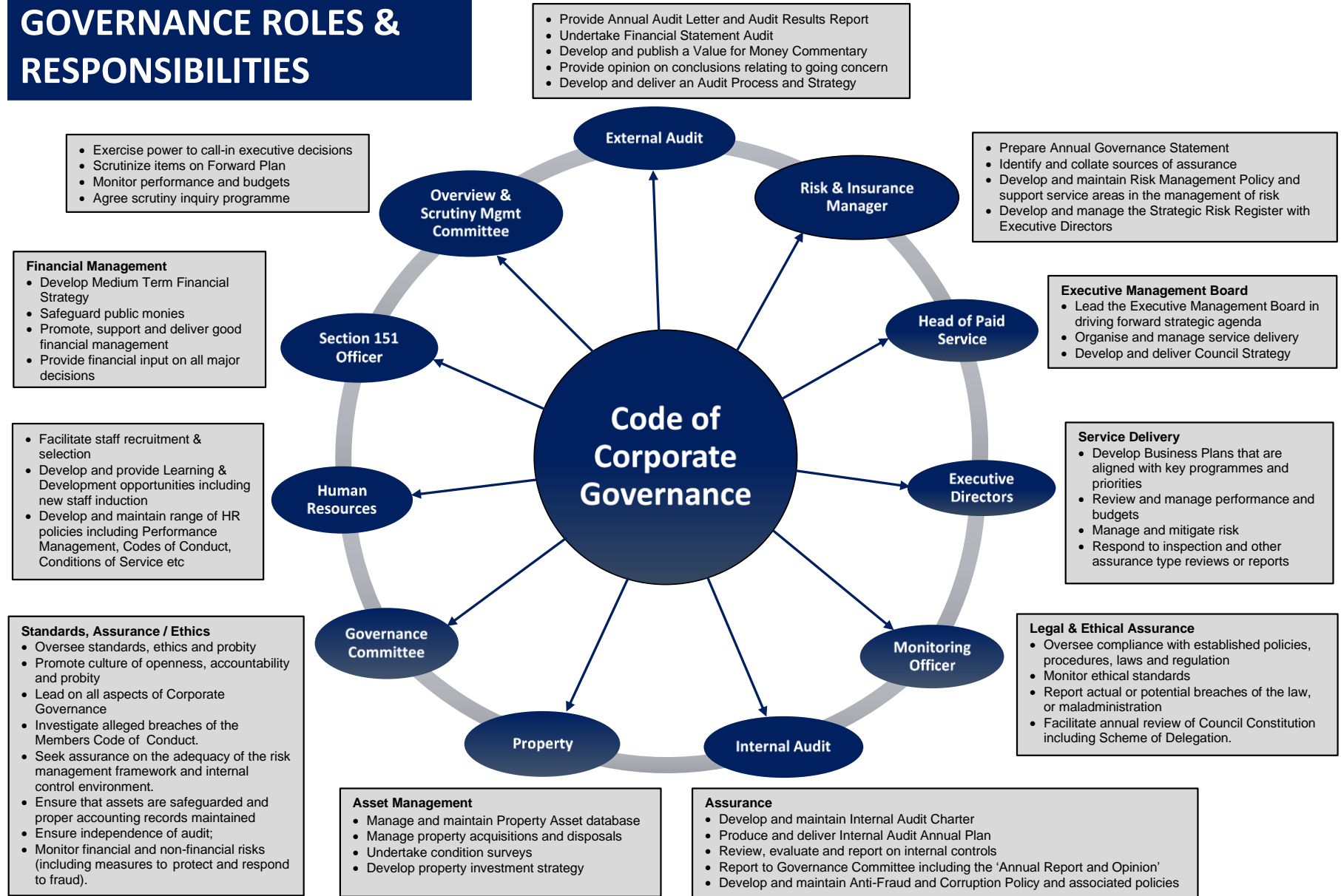
Good governance is crucial as it leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. Further, good governance enables an authority to pursue its aims effectively whilst controlling and managing 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 2023 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)'.

Principle 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 Director of Governance, Legal and HR is the 'Monitoring Officer' and has responsibility for ensuring compliance with established policies, procedures, laws, and regulations, and reporting any actual or potential breaches of the law, or maladministration, to full Council and/or to Cabinet.

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 and the Section 151 Officer (Executive Director Corporate Services).

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' that is published on the council's website and explains how to make a complaint and how it will be dealt with. There is also a separate 'Children Statutory Complaint Procedure' which is also published on the council's website.

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In addition, a “paper” complaints form is made available at “in person” contact points e.g. Libraries and Housing Offices etc, in order to make complaints compliments and comments accessible to those without internet access. Complaints relating to the conduct of Members are dealt with under the Members’ Code of Conduct.

On an annual basis the Director of Governance, Legal and HR presents a report council’s Governance Committee on ‘Local Government and Social Care Ombudsman Complaints’ and a separate report on ‘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; 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. In addition, there is e-learning training and associated guidance available to all staff.

Principle 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, including via:

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

Southampton City Council, in conjunction with other local public service providers, runs a telephone survey normally every two years to collect resident views on a range of topics. It 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. Surveys have been conducted in 2014, 2016, 2018 and 2020. Each year a set of common Local Government Association (LGA) questions are included, which allows Southampton to be benchmarked against the national average and for trends to be tracked over time, as well as questions relating to emerging priority areas. 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

The results from the 2020 Southampton City Survey, together with past reports, can be downloaded from the council’s website. The next City Survey is planned for later in 2023.

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Between 31st October 2022 and 3rd January 2023 1,600 people responded to the latest consultation on the Southampton City Vision which will be the council's new Local Plan and will set out the future development of new homes, workspaces, infrastructure and facilities across the city over the next 20 years and beyond. Responders were asked how they felt about 14 key objectives of the Draft Southampton City Vision Local Plan and which of the key objectives were the most important.

The council has in place a 'People's Panel', which is open to any resident over the age of 18 to join, and 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 and provides an opportunity to influence how services are delivered, highlight issues, and help shape public services in the community. 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 our 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 children and young people in the city, and in 2022, Southampton City Council started working with UNICEF UK to become a Child Friendly City. The programme aims to create cities and communities in the UK where all children – whether they are living in care, using a children's centre, or simply visiting their local library – have a meaningful say in, and truly benefit from, the local decisions, services and spaces that shape their lives.

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

Following the local elections in May 2022, a new 2022-30 Corporate Plan was developed which sets out the council's direction for the next eight years and shows how it will play its part in fulfilling the city's huge potential. The Corporate Plan articulates the organisational vision, goals and areas of focus of the Council over the next eight years and aligns to other key strategies across the Council such as Health and Wellbeing, Safe City Partnership, Economic and Green Growth and Children and Young People.

The Corporate Plan identifies four organisational goals for the city, and through this plan it outlines what those goals are, why they are being focusing on, and things we are being done both as a council and as a city to achieve them and recognising the importance of working with partners and other organisations in order to be able to 'deliver a city of opportunity'.



The performance management framework for the Corporate Plan comprises implementation plans delivered through service business plans, strategies, and where appropriate, specific project plans together with monitoring through Cabinet Member briefings and a review and update of the Corporate Plan after two years.

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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.



Customer focused



Collaborative



Curious and creative



Can-do



Commercially minded

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 there is a triumvirate of key strategic organisations, the Partnership for South Hampshire ('PfSH'), the Solent Local Enterprise Partnership ('LEP') and Solent Transport, that manage the policy agenda in the sub-region.

The PfSH is a partnership of twelve local authorities around the Solent, including Southampton City Council, that aims to improve the environmental, cultural, and economic performance of the South Hampshire area. The PfSH brings the partner organisations together at both a political and managerial level with a 2021-2025 Business Plan that sets out the focus of its' work. The PfSH is focused on supporting economic growth, delivery of housing and the infrastructure to achieve this in a sustainable manner, and to maintain and enhance the quality of the environment. The PfSH work will be a key element in developing statutory planning policy for the city by [a] demonstrating at a strategic level that the 'duty to cooperate' requirements are being achieved and [b] in helping to identify how housing growth and related infrastructure can be delivered to meet the needs of the city within a sub-regional context. The 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 the business community 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 LEP is drawn from the area's key business, universities, the further education sector, and local authorities. In 2021, a national review of the future role of LEPs was commissioned and a Levelling-Up White Paper, published in February 2022, set a course for LEPs and their future relationship with national and local government.

In the Spring Budget 2023 the announcement was made that the government intends for the functions of Local Enterprise Partnerships (LEPs) to be delivered by local government in the future. Therefore, the government is minded to withdraw central government support for LEPs from April 2024. DLUHC and the Department for Business and Trade will now consult on these proposals, before confirming a decision.

Solent Transport is a sub-regional transport partnership that comprises Portsmouth, Southampton, the Isle of Wight, and Hampshire County Council. Solent Transport and its partner bodies are important members of Transport for the South East. 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.

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In July 2021, Government invited expressions of interest from Local Authorities who were interested in progressing dialogue over devolution of powers through a 'County Deal' approach. Hampshire County Council unilaterally submitted their prospectus for a County Deal to Government in October 2022. Subsequent discussions between Government officials and Chief Executives of the upper tier authorities have taken place, but there remains a substantial amount of work ahead, if any deal can progress, with geography and governance remaining as critical issues.

Southampton Council is a Member of the Solent Freeport consortium. The Solent Freeport will encompass Southampton and Portsmouth, as well as areas of the New Forest, Isle of Wight, and southern Hampshire. Freeports are an important Government programme that are expected to play an important part in the UK's post-Covid and post-Brexit economic recovery, boosting the local economy and creating additional local jobs. Freeport status means that normal tax and customs rules do not apply and varying forms of tariff flexibility, tax measures and planning concessions deployed by the Government should help to incentivize private sector investment.

During 2022/23, the Government accepted the final business case of the Consortium and granted Freeport status. Southampton City Council is a member of the Freeport Board. The Freeport has access to seed capital funding from Government plus freeports will benefit from retaining 100% of the growth in their business rates over the 25-year life of the Freeport. Participant rating authorities in the Freeport have agreed to 'pool' the business rate proceeds to support the objectives of the Freeport. This benefit has been estimated as being worth £485M over 25 years. An investment plan is being finalised by the Freeport as part of the requirements by Government but noting that investment in the short term will be critical to delivering attractive opportunities for business in order to maximise retained rates generated. To overcome this short-term issue, some initial "pump prime investment" will be considered. This could come from local authority borrowing. The Accountable Body (Portsmouth City Council) are clear they will underwrite borrowing risks. There is no proposal for Southampton City Council to borrow to finance the investment needed.

Principle 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 when, how and by whom 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 it 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 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 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

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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.

In 2022 the Council, through the LGA, commissioned the Centre for Governance and Scrutiny (CfGS) to undertake an informal peer review to assist the council to consider how it might enhance its approach to governance and decision-making. The CfGS is a nationally recognised charity which supports local authorities to ensure sound governance practices are in place and is an independent body and this work was undertaken at no cost to the council. In particular the review considered and commented on:

- The consistency of decision-making systems
- The speed of those systems
- Clarity in who leads on, and makes, decisions
- Checks and balances with regard to the above
- The expectations of both members and officers with regard to the above

The review was based on a range of interviews with members and officers, detailed examination of a very small number of recent decisions, supplemented by a more general review of Cabinet and scrutiny committee papers, the Forward Plan and other relevant material. A final draft report was presented in the Summer 2022 for consideration and initial thoughts and observations. The CfGS reflected on those responses and produced the final report in September 2022 which was subsequently presented to the council's Governance Committee in November 2022. Following that, a 10 point Action Plan has been formulated, agreed by political Group Leaders and is now being implemented incrementally over the next 6 months.

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

The council's Workforce Strategy was replaced in January 2023 by a People Strategy that aims to create an organisation where people can be the best of themselves, grow and do their finest work, making Southampton a city of opportunity. The People Strategy sets out a high-level vision, priorities, and outcomes under six themes:

1. Understand the people we need and get the right people in
2. Have the right people as managers
3. Pay, reward and recognise in the right way
4. Keep people engaged, working to adapt and improve
5. Taking ownership and adding value
6. People who can thrive and grow

The People Strategy is a key document that sits alongside both the Medium-Term Financial 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 drive positive change and the delivery of agreed outcomes.

The council has in place leadership development modules for senior leaders intended to allow them to learn, and share insights and expertise based on the following development areas:

- Strategic Thinking
- Continuous Improvement
- Leading Change
- Systems Leadership
- Creative Thinking and Innovation

There are also learning modules and programmes in place aimed at people new to line managing others, existing team leaders, and managers up to middle managers. These are based on the council's

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core values and built around the leadership competencies with one of the modules being 'Ethics and Values' which explores the seven principles of public life and the values and behaviours that underpin these.

In respect of Elected Members, a revised internal Member Induction and Development programme is in place and offers a suite of learning and development opportunities via targeted service focused sessions or via a monthly briefing programme. Alongside the internal offer, a range of externally delivered training events and courses were delivered by the 'Local Government Association, the Local Government Information Unit and South East Employers. These opportunities ranged from 'being a new councillor', supported skill development such as chairing meetings, speed reading and retention, to portfolio based and leadership development training. Following a view of the Member Learning and Development in 2021, a refreshed programme was offered for the 2022/23 financial year comprising a wide range of training and development events, this has been refreshed further and endorsed by the LGA as comprehensive. Following the Centre for Governance & Scrutiny (CfGS) review and recommendations there will be further emphasis during 2023/24 to encourage members to take up opportunities that are being offered via the programme.

The council also has in place an 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.

Principle 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 the Chartered Institute of Public Finance and Accountancy ('CIPFA') guidance. The Committee receives a range of periodic reports relating to both the internal control environment and financial management, including receiving the draft Statement of Accounts.

Risk management is an essential component of the Council's overall governance and internal control arrangements and provides the framework and processes to enable the council to manage risk in a systematic, consistent and efficient way.

The Governance Committee receives an annual Risk Management report that summarises the framework and arrangements that the council has in place to manage risk and is intended to provide the Committee with both information and assurance regarding how risk is managed. The report also provides information on the key risk management activities and initiatives undertaken in the year and those planned for the next 12 months. The council also has a '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. Strategic risks are those risks that are of significant, cross-cutting importance to the council such that they are considered to require the attention and oversight of the council's senior management team. The Strategic Risk Register is updated on a quarterly basis with a report presented to the council's Executive Management Board. The report identifies how the individual risks are being managed together with an assessment of the effectiveness

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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 is increasingly being used to assess the impacts and risks to the council and its services arising from unforeseen events for example the cost-of-living crisis.

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 Strategy ('MTFS') 2022/23 – 2025/26 provides a strategic financial framework and a forward looking approach to achieving 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 MTFS 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 cost-of-living crisis, the increased demand for social care etc. The MTFS 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 MTFS is to:

- 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 and, where ring-fenced government funding is reduced, the service area takes action to reduce expenditure accordingly.
- 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.
- Ensure that the council's long term financial health and viability remain sound.

The MTFS 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') published a Financial Management Code ('FM Code') for authorities to adhere to, which first applied in 2021/22. The FM Code is designed to support good practice in financial management and promote financial sustainability by setting out the principles of good financial management. Initial work on how the council compared with the standards expected in the FM Code did indicate areas for improvement and this finding was discussed with the Executive Management Board and also formally reported to the council's Governance Committee in February 2022. Actions were identified, to improve compliance, as a part of that report.

One of the major issues that the review drew out was that the scale of the future budget deficit represented a significant risk and needed addressing via further work and progressing longer term plans. This was very clearly articulated in the budget report considered at the Council meeting in February 2023 and included the following statement made by the S151 officer "Financial resilience is much weakened by depleting reserves, and a S114 notice is foreseeable and a major risk during 2023/24". The budget pressure faced during 2022-23 and reflected in the budget for 2023-24 include amongst other things the impact of high inflation, higher than expected pay awards, rising interest rates

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and demand pressure on services. All have contributed to difficulties in making progress with the budget shortfall issues and a more financially sustainable Medium Term Financial Strategy for the authority.

The new S151 officer has, as part of the strategy to begin to tackle the financial challenges, commissioned the CIPFA to review the overall financial standing of the council and the processes applied by the authority when managing its resources. This review will focus on actions needed to improve the council's financial resilience and future budget positions. It will also build upon and supplement the work undertaken in relation to the FM Code.

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 Executive Director Corporate Services (Section 151 Officer and CFO) is professionally qualified and is a key member of the Executive Management Board 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 also 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.

All areas of the council should have 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 on current and future service costs including opportunities for income growth. During 2023-24 a reinvigorated business planning approach will be designed to better support business and budget planning for the medium term.

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 procurement activities and 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.

Principle 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 Director of Governance, Legal and HR (Monitoring Officer).

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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 are 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 (2019 Edition)'. This is aligned with 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.

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 (e.g. 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 Corporate Services (Section 151 Officer), Chair of the Governance Committee, Director of Governance, Legal and HR (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: -

- The views of Internal Audit regularly reported to Governance Committee via periodic 'Internal Audit: Progress Reports' which include executive summaries of new reviews undertaken in the period and noting that any audits rated as 'No Assurance' are specifically highlighted to the Governance Committee along with any Director's comments. The Committee is able to request any director attends a meeting to discuss the issues.
- The views of external auditors, reported to the Governance Committee, including the Audit Planning report, the Annual Audit Letter, the Audit Results Report, and the Auditor's Annual Report.
- The Chief Internal Auditors 'Annual Report and Opinion' for 2022-23 was that, in summary, the significant financial pressures which have escalated during 2022-23 along with an increased emerging strain on the internal control framework have resulted in an opinion level of 'limited assurance' being attributed. The previous years assessment of 'reasonable assurance' was provided following two years of sustained improvement and no indications of systemic failings. It was previously noted that there were examples across the council where further work was required to enhance the control environment, this requirement has grown following structural changes, changes in key staff and organisational transformational changes. This position is likely to deteriorate further over the course of 2023-24 and audit work will remain flexible to align to the council's risk exposure.
- The Internal Audit Charter and delivery of the annual Internal Audit plan.
- 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.

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- 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 Heads of Service for their service areas to ensure that the most representative and comprehensive oversight is obtained. The returns are then reviewed and 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 and including any external reviews that the council may choose to commission such as the exercise undertaken by the Centre for Governance and Scrutiny or CIPFA
- The annual Risk Management report that is presented to the Governance Committee.
- 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:

1. Governance Issue

In 2022 the Council, through the LGA, commissioned the Centre for Governance and Scrutiny (CfGS) to undertake an informal peer review to assist the council to consider how it might enhance its approach to governance and decision-making. Their final report was presented to the council's Governance Committee in November 2022 and, following that, a 10-point Action Plan was formulated and agreed by political Group Leaders. The action plan is being implemented incrementally over the next 6 months, both pre and post May elections.

Planned Action: Implementation of the 10-point Action Plan agreed in February 2023

Responsible Officer: Director of Governance, Legal and HR

Target date for completion: Autumn 2023

2. Governance Issue

As part of the council's strategy to begin to tackle its significant financial challenge it has commissioned the Chartered Institute of Public Finance and Accountancy ('CIPFA') to review the overall financial standing of the council and the processes applied by the authority when managing its resources. This review will focus on actions needed to improve the council's financial resilience and future budget positions. It will also build upon and supplement the work undertaken in 2022-23 in relation to the CIPFA Financial Management ('FM') Code.

Planned Action: Consideration and implementation of the key actions arising out the CIPFA review to be agreed with Cabinet and reported to Full Council

Responsible Officer: Executive Director Corporate Services

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Target date for completion: Actions to be agreed by end July 2023 / Implementation of agreed actions to take place throughout 2023-24 and beyond.

3. Governance Issue

The current service business planning process needs to be refreshed and updated in order to ensure that it better supports business and budget planning, and is aligned with the new Corporate Plan and informs the council's Medium Term Financial Plan

Planned Action: Agree a revised organisational Business Planning approach to better support business and budget planning over the short and medium term, and aligned with the new Corporate Plan

Responsible Officer: Director of Strategy and Performance

Target date for completion: End Q2 2023-24

4. Governance Issue

Although a new 'Talent Management and Succession Planning Strategy', developed in 2022, is now in place it is recognised that there is still a way to go before there are well developed succession plans in place across the council. Currently there is inconsistency in respect of the extent to which succession planning has been formally considered within service areas across the council.

Planned Action: The Talent Management and Succession Planning Strategy will be implemented across the organisation with the support of the respective Human Resources and Finance Business Partners, and the Organisational Development Team

Responsible Officer: Head of Human Resources & Organisational Development

Target date for completion: Ongoing throughout 2023-24 with updated position reflected in the 2023-24 AGS Self-Assessment returns from Heads of Service (in Q4 2023-24)

5. Governance Issue

The council has in place a well-developed Performance and Development Review (PDR) process however there are pockets across the organisation where the process is still not embedded within the service.

The PDR process is also important in that it identifies any learning needs as well as ensuring that required mandatory e-Learning training courses / 'essentials' reading have been completed. The latter 'essentials' include Anti-fraud and corruption strategy, Anti-Money laundering, Bribery Act, Gifts and Hospitality declaration and Whistleblowing.

Planned Action: HR to issue a reminder to all services of the importance of the Annual Performance Development Review process and the timescales in terms of submission of completed documents to the Corporate HR system. HR to review the returns and advise the relevant Executive Director if there are any significant gaps in terms of PDR returns from Service Areas.

Responsible Officer: Head of Human Resources & Organisational Development

Target date for completion: Review at End Q2 2023-24 when the 2022-23 PDRs should have all been completed and uploaded onto the HR module within Business World and the new 2023-24 PDRs developed.

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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

.....
Mike Harris
Chief Executive

on behalf of Southampton City Council

.....
Councillor Satvir Kaur
Leader of the Council

DRAFT