ANNUAL GOVERNANCE STATEMENT

1. 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, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at:
http://www.southampton.gov.uk/Images/Code%20of%20Corporate%20Governance%20-%20March%2008_tcm46-160197.pdf or can be obtained from:

Solicitor to the Council,
Southampton City Council,
Civic Centre,
Southampton,
SO14 7LY

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts an Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts.

ANNUAL GOVERNANCE STATEMENT

3. THE GOVERNANCE FRAMEWORK

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

- **Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users:**

There is a clear vision of the Council's purpose and intended outcomes for citizens and service users that is clearly communicated, both with the organisation and to external stakeholders.

The *City of Southampton Strategy* is the city's sustainable community strategy setting out a 20-year vision up to 2026. It underpins aspirations for the city and provides the framework through six strategic objectives to tackle the city's key economic, social and environmental priorities.

The *Local Area Agreement (LAA)* is a three-year agreement between central government and key partners working together in an area to deliver joined-up public services which meet local people's needs. Southampton's Local Area Agreement has been developed by the council and agreed with key delivery partners as well as the Government Office for the South East.

The *Medium Term Service and Financial Plan 2007-10* links the planned outcomes set out in the city's Local Area Agreement, the "City of Southampton Strategy" and other key partnership plans with the Council's own priorities, statutory obligations and resource forecasts over a three year period, in order to secure tangible improvements in the overall quality of life for all Southampton's citizens.

The *Corporate Improvement Plan* sets out the Council's commitment and overall approach to secure on-going improvements across the range of council services provided to residents, businesses and visitors to the city and reflect the organisations agreed priorities and values.

- **Reviewing the authority's vision and its implications for the authority's governance arrangements:**

During 2008/09 the council's key priorities and organisational values were reviewed. The six agreed priorities and five organisational values shape the Council's policy framework plans and the budget, and hence the Council's policy decision making and resource allocation process.

The Council has adopted a *Code of Corporate Governance* ("CCG") which identifies in one document how the Council ensures that it runs itself in a lawful, structured, ethical and professional manner. The CCG is administered by the Monitoring Officer and is updated periodically by the Council's Standards and Governance Committee.

- **Measuring the quality of services for users, ensuring they are delivered in accordance with the authority's objectives and ensuring that they represent the best use of resources:**

The *Corporate Improvement Plan* sets out clear targets and improvement initiatives for the ensuing year including the approved budget for each portfolio. The plan, which is approved annually by Council, includes a range of performance measures which are monitored on a quarterly basis including comparison with performance of other unitary authorities.

ANNUAL GOVERNANCE STATEMENT

- **Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication:**

The Council has a _Constitution_ setting out how it operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. The Constitution sets out the detailed rules governing the Council's business including details of the Council's Scheme of Delegation (Part 10) that provide for delegation to senior officers.

- **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff:**

The council's Constitution contains both an _Officer Code of Conduct_ and a _Members Code of Conduct_ which have both been formally approved and widely communicated. In addition there is a 'Code of Conduct and Disciplinary Rules' for employees which details the standards of service and conduct that are expected of employees.

The Council also has an _Anti Fraud and Anti Corruption Policy and Strategy_ in place which has been formally approved by the Council's Audit Committee.

- **Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks:**

The Council's _Constitution_ includes information on how the council operates, how decisions are made and the role of overview and scrutiny. The Solicitor to the Council conducts an annual review of the Council's constitutional arrangements, which are considered by the council's Standards and Governance Committee, in its governance role, prior to submission to the Annual General Meeting of the Council in May.

All reports submitted to the Executive, the Council, a Committee or a Sub-Committee for a decision must receive corporate clearance in respect of legal, financial and policy implications and risks prior to publication. In addition, there is published information on the council's of _decision making_ process and how members of the public can have their voice heard.

- **Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities:**

The Council has a _formally constituted Audit Committee_ whose role it is to provide independent assurance to the Council's Standards and Governance Committee on the adequacy of the risk management framework and the internal control and reporting environment, including (but not limited to) the reliability of the financial reporting process and the annual governance statement.

- **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

The Council's "Corporate Standards" are published on the intranet and are an important part of the Council's operational practices and procedures. They are a summary of the most significant and important rules in the areas where the Council must achieve compliance. They cover Legality and Corporate Governance (including decision-making, freedom of information and data protection), Finance, IS/IT, Property and Human Resources.

In addition, the Council's has Financial Procedure Rules which provide the framework for managing the Council's financial affairs together with Contract Procedure Rules which apply to all Officers involved in the letting of orders or contracts for works, services and supplies. Both documents form part of the Constitution.

- **Whistle-blowing and receiving and investigating complaints from the Public**

The Council is committed to the highest possible standards of openness, probity and accountability and this is reflected in one of the Council's core organisational values which states that 'we will work with integrity, openness and honesty'.

There are a range of interrelated policies and procedures in place that seek to create an anti fraud and anti corruption culture. This includes a *Duty to Act* Policy which reflects the legal framework and obligation on the Council to enable staff to raise concerns which may involve unlawful conduct, illegality, financial malpractice or dangers to the public, employees or the environment. In addition, a corporate *complaints* process and policy is in place which has been formally approved and communicated to all relevant staff, the public and other stakeholders.

- **Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training:**

The Council has a Member Learning and Development programme in place covering a wide range of issues including Induction, Finance, Code of Conduct, Risk Management, Equalities etc. In addition there are ad hoc members' briefings on specific topics as necessary. The Member User Group and Standards and Governance Committee are consulted on and monitor the Members' Learning and Development programme.

The Council has an annual 'Management Academy' officer training programme in place which provides the corporate learning required in the development of the essential knowledge, skills and behaviours necessary to be effective leaders and managers within the council. In addition, a 'Foundations of Management' programme is in place for all newly appointed or promoted managers who require an understanding of what is expected of them and provides an opportunity to develop core skills that will assist them in performing effectively in their role.

- **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:**

The Southampton Partnership, which is the Local Strategic Partnership for the City of Southampton, has it membership drawn from private, public, voluntary and community sectors in order to act collectively as a strategic force for change.

The views of local people and communities are sought in many ways both formally and informally on a variety of operational and strategic issues, for example through Neighbourhoods Management meetings, public meetings and consultation events, market research polls, input from voluntary sector forums and networks and through methods specifically designed to involve children and young people in making positive decisions about the issues that are important to them.

ANNUAL GOVERNANCE STATEMENT

- **Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the authority's overall governance arrangements.**

In 2008-09 the council has developed a Partnership Code and Toolkit which will form part of the council's Constitution. This has been developed to ensure that where the City Council leads a partnership and/or co-ordinates its work, it will do so ensuring sound governance is in place, but within a flexible, efficient and robust approach to such engagement. This forms an important element of the Council's overall framework for partner and partnership engagement.

4. 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 informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

- the work of Members/Officers within the Council;
- audit and other periodic reports from the Chief Internal Auditor;
- the Annual report and opinion of the Chief Internal Auditor;
- the Audit Committee;
- the Standards and Governance Committee;
- reports received from service review agencies or inspectorates, and
- the external auditors in their annual audit letter.

The Authority
The Council's Constitution forms the cornerstone of effective corporate governance. Whilst the Council's constitutional arrangements continue to be recognised as being of a high standard, Full Council agreed in 2002 that it would, on an annual basis, robustly review the Constitution and its operation.

Full Council is the ultimate decision-making body as to the Council's Constitution. The purpose of the annual review and subsequent *report* is to bring forward any proposed changes to the Constitution, these having been considered by Standards and Governance Committee (in its governance role) with a view to building upon the constitutional arrangements for the Council.

The Executive
The Executive (which is called 'the Cabinet') make executive decisions relating to services provided by the Council, except for those matters which are reserved for decision by the full Council, and planning and licensing matters which are dealt with by specialist regulatory Panels. Proceedings of the Cabinet take place in accordance with Article 7 of the Council's *Constitution*.

ANNUAL GOVERNANCE STATEMENT

Audit Committee

The Council has a formally constituted Audit Committee whose role it is to provide independent assurance to the Standards and Governance Committee on the adequacy of the risk management framework and the internal control and reporting environment, including (but not limited to) the reliability of the financial reporting process and the annual governance statement.

The Council's Internal Audit, Risk and Assurance service reports to the Audit Committee on the following issues:

- the effectiveness of the Council's internal control, risk management and associated anti-fraud and anti-corruption arrangements;
- the Council's Annual Governance Statement, financial statements and external auditor's opinion;
- the Chief Internal Auditor's annual report and opinion;
- the Internal Audit strategy and operational plan;
- summary internal audit reports across all portfolios;
- reports of external audit and inspection agencies; and
- assurances that action is being taken on risk and control-related issues identified by the internal and external auditors and other assurance providers.

Overview and Scrutiny Committees

Overview and Scrutiny is a key mechanism for enabling Councillors to represent their constituents' views to the Executive to inform policy development. The Council's Overview and Scrutiny panels review local authority policies and matters of local concern and interest, and make recommendations to the Executive and Full Council. The Overview and Scrutiny Committee is the main way in which the Executive is held to account in public for the discharge of the functions it is responsible for. In addition, through the "call-in" procedure scrutiny members are able to require the Executive to publicly defend and, if necessary, reconsider important decisions.

At the start of each municipal year the Overview and Scrutiny Management Committee agrees a scrutiny inquiry programme. This inquiry programme takes account of the priorities for the Council and its partners in the forthcoming year, any identified need for improvement either from an external assessment, performance monitoring or concerns from the public, and key issues raised in Policy Framework plans.

Risk Management

Risk management activity is co-ordinated via the Council's 'Resources Board' which comprises senior officers from each directorate. The terms of reference for this Group include:

- To influence and support the council's internal audit & risk management strategies;
- To receive and review periodic progress reports on internal audit & risk management;
- To develop a co-ordinated and consistent approach to the identification and management of risk throughout the organisation;
- To ensure that risks are appropriately 'owned' and, managed in accordance with good practice and in accordance with Council's approach to corporate governance;
- To focus upon and co-ordinate risk management activities throughout the management of all key business risks;
- To ensure that robust business continuity plans are in place covering key service areas and that the plans are reviewed and tested within agreed timescales;
- To identify and monitor the Council's controls assurance framework and provide evidence, based on sources of internal and external assurance and a controls self assessment process, to support the preparation of the Annual Governance Statement.

ANNUAL GOVERNANCE STATEMENT

This Group is responsible via the Executive Director of Resources to the Council's Chief Officers Management Team and formally reports progress to the Council's Audit Committee bi-annually.

The Council has in place a 'Strategic Risk Register' which seeks to identify the key risks that may prevent or have a significant adverse affect on the achievement of the Council's key objectives. In addition, each Directorate is required to develop and maintain it own risk register which is developed around the 'key priorities and risks' identified as part of the corporate business planning process.

Standards and Governance Committee

The Council has a Standards and Governance Committee with specific responsibility 'to lead on all aspects of Corporate Governance by promoting the values of putting people first, valuing public service and creating a norm of the highest standards of personal conduct'.

Throughout the course of the year the Standards and Governance Committee receives the draft report on 'Changes to the Constitution' (in its governance role) prior to the report bring presented to Full Council, an annual report on 'Internal complaints and local government ombudsman's complaints' and the 'Annual Governance Statement' for review and approval. This Committee is also responsible for reviewing and approving the updated Code of Corporate Governance.

Internal audit

The Council operates an Internal Audit function whose role is to provide an assurance function that provides an independent and objective opinion to the Council on risk management, control and governance, by evaluating their effectiveness in achieving the Council's stated objectives. Internal audit may also provide an independent and objective consultancy service, specifically to help management improve the Council's internal control, risk management, and governance.

The Council's Internal Audit Strategy was approved by the Audit Committee in September 2007 covers a five year period to 2011. It outlines how the service will be managed, delivered and developed to facilitate:

- delivery of an internal audit opinion on the Council's internal control, risk management and governance arrangements, to inform the annual governance statement;
- audit of the Council's internal control, risk management and governance systems through periodic audit plans, in a way which affords due consideration to the Council's key priorities and significant risks;
- continuous improvement of the internal control, risk management and governance framework and processes within the Council;
- identification of the resources and skills required and method of delivery of an internal audit service that meets the CIPFA Code;
- effective cooperation with the Audit Commission and other external review bodies; and
- provision of assurance, consultancy and advisory services by internal audit.

The Chief Internal Auditor reports to the Audit Committee including progress against the annual internal audit operational plan and bringing to the attention of the Committee any significant control issues. The Chief Internal Auditor has the authority to independently report at any time to the Chief Executive, Chief Financial Officer, Officers and Members.

The Internal Audit Section is subject to regular review by the Council's external auditors who seek to place reliance on the work carried out by the section. An annual review of the effectiveness of the system of internal audit is undertaken by the Audit Committee.

Other review/assurance mechanisms

Assurances are sought from each Executive Director regarding the effectiveness of the key controls within their areas of operation. These annual assurances are obtained via a 'Controls Assurance Self Assessment Statement' which is required to be completed in full and with due diligence by each Executive Director. The Council's Internal Audit service undertakes a sample check of the completed self assessments and supporting evidence and provides an overall opinion on the level of assurance that can be placed on the returns.

The review is further informed via the completion of a "Controls Assurance Framework" document. This document, which has been developed in line with guidance issued by the Chartered Institute of Public Finance and Accountancy, identifies the key components of the Council's overall governance and internal control environment. The document records the key controls that are in place together with the sources of assurance and identifies any gaps in key controls or assurance noting any improvements planned for the forthcoming period to address the identified gaps.

The returns, together with other sources of assurance are reviewed by the Council's "Controls Assurance Management Group", which comprises the Section 151 Officer, Monitoring Officer, Chief Internal Auditor, Chair of Audit Committee and the Assistant Chief Executive (Strategy). This Group is tasked with drawing together, evaluating and, where necessary, challenging the sources of assurance and supporting evidence and producing the draft Annual Governance Statement "AGS". This group is also responsible for reviewing progress in respect of the actions required to address the significant governance identified on the previous years AGS and to report progress bi-annually to the Audit Committee (see Appendix 1).

The Audit Committee then undertakes a further review of the draft AGS before it is submitted to the Standards and Governance Committee for approval. The document is then signed by the Chief Executive and Leader of the Council.

5. SIGNIFICANT GOVERNANCE ISSUES

The following significant governance issues have been identified:

	Issue	Action	Responsible Officer	Target for completion/ implementation
1	The council's Code of Corporate Governance needs to be subject to a formal annual review process.	Following any recommendations from the recent IDeA Ethical Governance Peer Review an annual process will be adopted by the Solicitor to the Council each year to review prior to submission to the Standards and Governance Committee each summer	Solicitor to the Council	July 2009
2	The Partnership Code and Toolkit developed by the Council in 2008-09 needs to be formally adopted.	Partnership Code and Toolkit to be formally adopted and form part of the Council's Constitution.	Solicitor to the Council	May 09
		Communication of new arrangements to relevant officers and members.	Solicitor to the Council	September 2009

3	A 'Project Management Health Check' was commissioned and undertaken in 2008-09 which identified an opportunity to develop a more efficient and consistent approach to project and programme management.	Centralised Project Management Environment prototype (PM Connect) developed. To be formally approved and adopted across all service areas. Provision of appropriate training opportunities in relation to the new Project Management Framework and Guidelines.	Executive Director of Resources Executive Director of Resources	July 09 March 2010
4	Ensure consistent understanding of the council's corporate standards by relevant officers.	[Insert appropriate wording we IDeA training session and subsequent roll out of training] Delivery of the council's Management Academy Programme 2009-10. Pilot of the NetConsent software to be undertaken and, subject to successful outcome, to be rolled out across the council.	Solicitor to the Council? Executive Director of Resources Executive Director of Resources	[MH to comment} March 2010 March 2010
5	Finalise report and action plan following the IDeA Ethical Governance Review and report to Standards and Governance Committee.	Implement Action Plan	Solicitor to the Council	September 2009

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Standards and Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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   _____
B. Roynon
(Chief Executive)

Signed   _____
Councillor Samuels
(Leader of the Council)

ANNUAL GOVERNANCE STATEMENT

APPENDIX 1

The following is a summary of the status of the agreed actions that were identified to address the significant governance issues were identified and recorded on the Council's Annual Governance Statement 2007-08:

ANNUAL GOVERNANCE STATEMENT 2007-08

	ISSUE	STATUS	ACTION TAKEN
1	Code of Corporate Governance to be updated in accordance with CIPFA/SOLACE guidance.	**COMPLETED**	Updated Code of Corporate Governance adopted.
2	There is an inconsistent approach in terms of the governance of partnerships.	**COMPLETED**	Partnership Code and Toolkit developed. To be formally adopted in 2009-10.
3	Contract Procedure Rules need to be revised and updated.	**COMPLETED**	New Contract Procedure Rules approved.
4	Existing Project and Programme Management Framework needs to be applied consistently across all service areas.	**COMPLETED**	Fundamental review of project management undertaken. New project management tool developed for implementation in 2009-10.
5	Ensure consistent understanding and application of the council's 'corporate standards' by relevant officers.	**COMPLETED**	The 2008-09 corporate management development programme included modules covering key HR policies.
		DEFERRED	Use of software solution to prompt and record that key policies have been read was deferred until early 2009-10.
6	Need to improve members' systematic engagement in their own development to ensure that they are skilled to provide consistent and strong community leadership.	**COMPLETED**	Comprehensive review of Member learning and development undertaken. Three year Member Development Strategy developed.
7	Need to enhance the support provided for scrutiny functions to drive improvement through policy development work and provide a greater emphasis on user-focused challenge.	**COMPLETED**	Revised process approved by Members and Inquiry Plan agreed at Overview and Scrutiny Management Committee