ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

Southampton City Council ("the council") is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

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

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

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

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, cultures and values by which the council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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

The governance framework has been in place at the council for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

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THE GOVERNANCE FRAMEWORK
The key elements of the systems and processes that comprise the council's governance arrangements include arrangements for:

a) Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
Service delivery is guided by a framework of strategic plans and policies which are developed and agreed at three different levels:

- Sub-regional level, which cover more than one local authority;
- City level at 'Southampton Connect' and with our partners; and
- Council level for services which we deliver or commission.

The sub-regional level is through the Partnership for Urban South Hampshire ("PUSH") and the Solent Local Enterprise Partnership ("Solent LEP"). PUSH is a collaborative partnership working arrangement between the local authorities in the region to support the sustainable economic growth of the sub region and the Solent LEP is a locally-owned partnership between businesses and local authorities and seeks to play a central role in determining local economic priorities and undertaking activities to drive economic growth and the creation of local jobs.

Southampton Connect is the strategic partnership in the city which seeks to promote the city and to address the key challenges facing Southampton. This collaborative arrangement brings together the private, public and community and voluntary sectors to work together to tackle the key city challenges facing Southampton and improve outcomes for all those who live, work and visit the city. The 'Southampton Connect Plan for 2012-2015' is based on a single, comprehensive assessment of needs in the city (supported by resident feedback, a city profile and ward profiles) and sets out a vision for the city and a challenging programme of ten priority projects. This is currently being refreshed with the intention of developing and agreeing the 2014-2025 City Strategy in July 2014.

b) Reviewing the authority's vision and its implications for the authority's governance arrangements
The Southampton City Council Plan (the "Council Plan") covers a 3 year period to 2016 and sets out, in one concise document, the council's priorities, challenges and opportunities for the forthcoming period. It was formally approved by Full Council in July 2013 and is reviewed annually. The new Council Strategy will be presented to Cabinet and Council in July 2014. This will take into consideration the feedback from the City Survey in March/April 2014 and the priorities detailed in the City Strategy to ensure that it continues to reflect the needs and aspirations of our customers, services users and communities.

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

c) Translating the vision into objectives for the authority and its partnerships
The council's vision is reflected in the Council Plan which sets out 'Our priorities', 'How we will work' and 'Our Challenges' and 'Our Opportunities'. The Council Plan links the planned outcomes set out in the Southampton Connect Plan, and other key partnership plans, with the council's own priorities, statutory obligations and resources forecasts. The Cabinet will be considering the next phase of the transformation programme in the autumn which will detail how the council will transform to implement the Council Strategy in the medium term.

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

The Council Plan identifies the 'Success Measures' in respect of the 'Key Actions'. These indicators are monitored by the Council's Management Team. Service areas also undertake a variety of performance review activities. In 2013/14 the council undertook a review of its performance management framework resulting in a comprehensive set of measures and management information for the Council's Management Team to consider and monitor on a quarterly basis. Performance reports were published for Quarters 2, 3 and 4 of 2013/14.

In addition, all significant commercial partnership working arrangements have a range of key performance indicators which are used to verify and manage service performance.

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

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

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

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

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

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

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

The Internal Audit Programme for 2013/14 included a review of partnership working and the recommendations will be implemented once they have been considered by the Council's Management Team. The council has also worked with Southampton Connect to review the strategic partnerships in the city and the final framework will be approved in July 2014.

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

The council has in place a Risk Management Policy and Strategy which is subject to annual review to ensure that it continues to reflect good practice and remains aligned with current business processes and practices. The policy and strategy is presented to the Governance Committee for review and approval.

The Governance Committee has responsibility to provide independent assurance on the adequacy of the risk management framework and the internal control and reporting environment. In addition, the Risk Management Strategy summarises the principal roles and responsibilities recognising that all employees, members and those who act on behalf of the council have a role to play in the effective management of risk.

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

The council is committed to the highest possible standards of openness, probity and accountability. An 'Anti Fraud and Anti Corruption Policy' is signed by both the Chief Executive and Leader of the Council and is published on the internet together with an 'Anti-Fraud and Anti Corruption Strategy' and Bribery Act Policy. These documents reflect the council's approach and commitment to the prevention and detection of fraud and corruption.

j) Ensuring effective management of change and transformation

The council has in place a Change Programme which is led by the Transformation and Improvement Board, which is chaired by the Cabinet Member for Education and Change and supported by the Council's Management Team.

In 2013/14 the council prioritised transformation work within the People Directorate and the one council programme includes a number of defined 'workstreams'. The key aims of the programme are to secure 'Better outcomes for residents', 'Better quality of service' and 'Significantly reduce cost'. A co-ordinated, strategic approach has been agreed with the initial focus on 'Service Transformation', 'Working Environment Transformation' and 'Community Asset Transfer'. Progress in respect of the defined workstreams is reported to and monitored by the Transformation and Improvement Board and detailed are updated on the Change micro site ion the intranet.

In addition, each service is required to update their service 'Blueprint' documents which is intended to capture key service information in a standard format which is then used to support and inform the council in terms of taking a strategic approach to organisational redesign and proposals to meet the ongoing financial challenges.

Further work has been undertaken and the next phase of the transformation programme will be considered by Cabinet in July 2014.

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

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

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The CFO has input into all major decisions, advises the Executive on financial matters and is responsible for ensuring that budgets are agreed in advance, that the agreed budget is robust and that the finance function is fit for purpose.

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

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

m) Ensuring effective arrangements are in place for the discharge of the monitoring officer function
The Director of Corporate Services is designated as the Monitoring Officer with responsibility for ensuring compliance with established policies, procedures, laws and regulation, and reporting any actual or potential breaches of the law, or maladministration, to the full Council and/or to the Cabinet. The Head of Legal and Democratic Services is the nominated Deputy Monitoring Officer.

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

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

o) Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities
The council has a formally constituted Governance Committee that undertakes the core functions of an audit committee and operates in accordance with CIPFA guidance. It provides independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance statement process.

p) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
'Corporate Standards and Guidance for Officers' is published on the internet and sets out those aspects of decision making that are compulsory and must be complied with in all respects.

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

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q) Whistle blowing and receiving and investigating complaints from the public
The council has in place 'Whistleblowing Policy' (Duty to Act) 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.

There is a Corporate Complaints policy and procedure in place which is published on the council's website. An annual report is produced and published on the council's website which includes information about comments, compliments and complaints experience. There is a separate policy and procedure in place in respect of dealing with complaints made about Members.

r) Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training
A Member Development Strategy is in place which sets out how Member development will be identified, delivered and managed. The Strategy, which was reviewed, updated and approved the Governance Committee in September 2013, is based on the following criteria:

- Induction Programme
- Development needs as identified through Personal Development Planning;
- Corporate objectives and initiatives;
- External Development activities.

Senior Officer development needs form part of the annual performance appraisal process with a requirement that learning and development priorities are linked to key objectives and service plan priorities. There are five strategic priorities for employee development which are as follows:

- Meeting the compulsory demands placed on the Council;
- Developing and maintaining Corporate Standards;
- Supporting the Change Agenda and Customer Care;
- Developing Current and Future Managers (Leaders);
- Improving the level of essential skills in the workforce.

s) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
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 by services via questionnaires, text messaging, focus groups and community consultation events.

Information on 'Consultation' and 'Other ways to have your say' is also published on the council's website and provides an opportunity for stakeholders to voice their opinions and shape service delivery. For example, comments and suggestions from public consultation (including engagement with partners, external organisations and provider organisations) together with a pre budget priority survey were reflected in, and helped shape, the 2014-15 budget report. Following this the feedback from the budget consultation process was reported to Cabinet before they made their final recommendations to Council. Information was made available in an easy to understand format and respondents were informed on how their feedback was used.

Market research is one the tools the council uses to obtain opinions and perceptions on a variety of issues affecting life in the city. The council is conducting a 'City Survey' in partnership with other key organisations working in the city including the local Clinical Commissioning Group, Police, NHS Trusts, Fire Service and further education bodies. The survey is an important step in building a better understanding of our residents and will be repeated every other year for the next five years.

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

The 'Priorities', 'Key Actions' and 'Success measures' identified in the Council Plan are monitored by the Council's Management Team and reported to informal Cabinet and published on the council's website. The council has developed quarterly 'performance scorecards' to improve the management information available to managers that reflects corporate, directorate, service and partner priorities.

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

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

A Partnership Code, which forms part of the council's Constitution, identifies the key considerations when developing a partnership including 'is there clarity of purpose and is it compelling' and 'how will decisions be made and acted upon'. The intention is to ensure that sound governance arrangements are in place and reviewed as the partnership working arrangement develops and evolves. Recommendations from the recent Internal Audit review on partnerships arrangements will be implemented once they have been considered by the Council's Management Team.

REVIEW OF EFFECTIVENESS

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is led by a 'Controls Assurance Management Group' (comprising the Section 151 Officer, Chair of the Governance Committee, Assistant Chief Executive, Monitoring Officer and Chief Internal Auditor).

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

- The views of Internal Audit regularly reported to Governance Committee via the 'Internal Audit: Progress Report' which include executive summaries of new reports published where critical weaknesses or unacceptable levels of risk were identified. In addition, where appropriate, the relevant Director and/or Head of Service being required to attend a meeting to update the Committee regarding progress and actions;

- The views of external auditors, regularly reported to the Governance Committee, including regular progress reports, the Annual Audit Letter and Audit Results Report – ISA260;

- The Chief Internal Auditors 'Annual Report and Opinion' on the adequacy and effectiveness of the Council's internal control environment;

- The Internal Audit Charter and delivery of the annual operational plan;

- The work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment;

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- The completion of an annual 'Self Assessment Statement' by Directors which covers the key processes and systems that comprise the council's governance arrangements and is intended to identify any areas where improvement or further development is required;

- Completion of an 'Assurance Framework' document which reflects the key components of the Council's overall governance and internal control environment. This document, 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 Risk Management Policy and Strategy, specifically the Strategic and Directorate Risk Registers;

- The work of the Governance Committee in relation to the discharge of its responsibility to lead on all aspects of corporate governance.

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

SIGNIFICANT GOVERNANCE ISSUES
The following significant governance issues have been identified:

	Governance Issue	Planned Action
1.	The Council's Anti Money Laundering Policy has not been updated since Feb 2009.	Policy to be reviewed and updated to reflect current good practice together with a commitment for future periodic reviews. Appropriate arrangements to be made to communicate the updated policy.
	Responsible Officer: Director of Corporate Services **Target for completion:** July 14	
2.	The Corporate Procurement Strategy refers to the period 2009-12	Contract Procedure Rules to be reviewed and updated by end of 2014 with the revised and updated Strategy by early 2015.
	Responsible Officer: Director of Corporate Services **Target for completion:** March 15	
3.	Transparency information published on the internet includes a Members' 'Gifts & Hospitality Register' however the last entry on the document is dated April 2012.	The requirement to make such declarations was dropped when the new code, under the Localism Act, came into being in July 2012. It is however considered appropriate, in terms of transparency, to review the current approach to the publication of Members 'Gifts and Hospitality'. A report to be taken to Governance Committee in Sept 14 with both an updated draft Code and proposed addition in relation to members gifts and hospitality with a de minimus level of £50 for registration.
	Responsible Officer: Director of Corporate Services **Target for completion:** Sept 14	

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4.	The 'Children's Services & Learning Complaints and Representation Procedure' published on the internet is dated September 2006.	Review and update the 'Children's Services & Learning Complaints and Representation Procedure' to ensure that it remains aligned with statutory procedures with a commitment for future periodic reviews.
	Responsible Officer: Director of Corporate Services	**Target for completion:** July 14
5.	Understanding of and compliance with Information Governance policies and procedures.	Information Governance e-learning (including Data Protection, Freedom Of Information Act and Protecting Information) to be mandatory for all staff and new starters.
	Responsible Officer: Director of Corporate Services	**Target for completion:** Implemented as of now – ongoing
6.	Business continuity plans need to reflect the high level of organisational change that has taken place and is ongoing.	Business continuity plans to be reviewed, tested and evaluated to ensure that they reflect the new organisational structure.
	Responsible Officer: Director of Place	**Target for completion:** May 15
7.	Understanding of and compliance with the council's 'Corporate Standards'.	Learning and communication exercise to be rolled out to relevant officers in respect of the legal decision making process.
	Responsible Officer: Director of Corporate Services	**Target for completion:** Commence Summer 14

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

....
Dawn Baxendale   **Councillor Simon Letts**
(Chief Executive)   (Leader of the Council)

on behalf of Southampton City Council