

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/policies/code-corporate-governance-feb-2018_tcm63-396028.pdf

or can be obtained from the:

Service Director – Legal and Governance,
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 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 2018 and up to the date of approval of the statement of accounts.

Annual Governance Statement

SCC - GOVERNANCE ROLES & RESPONSIBILITIES

- Provide Annual Audit Letter and Audit Results Report – ISA260
- Undertake Financial Statement Audit
- Develop and Publish a Value for Money Conclusion
- Develop and deliver Audit Programme

- Exercise power to call-in executive decisions
- Scrutinize items on Forward Plan
- Monitor performance and budgets
- Agree scrutiny inquiry programme

- Prepare Annual Governance Statement
- Identify and collate sources of assurance
- Complete 'Assurance Framework' document
- Develop and maintain Risk Management Policy
- Develop and manage Strategic Risk Register with CMT

Financial Management

- Develop Medium Term Financial Strategy that is aligned with strategic priorities and outcomes
- Safeguard public monies
- Promote and deliver of good financial management
- Ensure financial input on all major

Corporate Management

- Lead the Council Management Team in driving forward strategic agenda
- Organise and manage service delivery
- Develop and deliver Council Strategy

- Facilitate staff recruitment & selection including job evaluation
- Provide Learning & Development opportunities including induction
- Develop and maintain suite of policies including Performance Appraisal, Codes of Conduct, grievances, Conditions of Service etc

Service Delivery

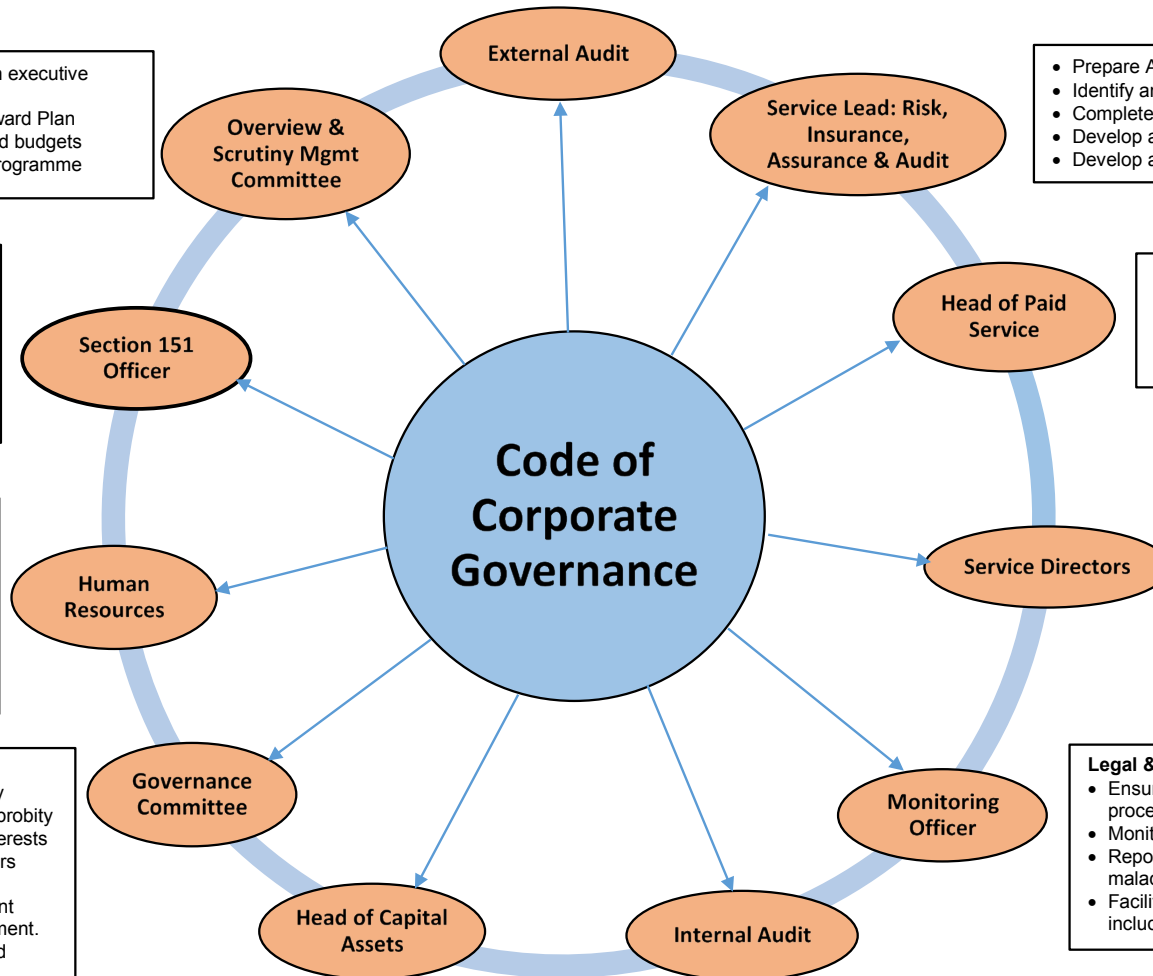
- Develop Service Business Plans that are aligned with key priorities and outcomes
- Review and manage performance
- Review and manage service risk
- Information Governance
- Complete 'AGS Annual Self-Assessment Statement'

Standards, Assurance / Ethics

- Oversee standards of ethics and probity
- Promote openness, accountability and probity
- Advise on declarations of Members' Interests
- Investigate alleged breaches of Members Code of Conduct.
- Seek assurance on the risk management framework and internal control environment.
- Ensure that assets are safeguarded and proper accounting records maintained
- Ensure independence of audit;
- Monitor financial and non-financial risks (including measures to protect and respond to fraud).

Legal & Ethical Assurance

- Ensure compliance with established policies, procedures, laws and regulation
- Monitor ethical standards
- Report actual or potential breaches of the law, or maladministration
- Facilitate annual review of Council Constitution including Scheme of Delegation.



Asset Management

- Manage and maintain Property Asset database
- Manage property acquisitions and disposals
- Undertake condition surveys
- Develop property investment strategy

Assurance

- Develop and maintain Internal Audit Charter
- Produce and deliver Internal Audit Annual Plan
- Review, evaluate and comment on internal controls
- Report to Governance Committee including the 'Annual Report and Opinion'
- Develop and maintain Anti-Fraud and Corruption Policy and associated policies

Annual Governance Statement

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 characterising good governance in the public sector are derived from the 'Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016)'.

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

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for the Council to choose. The Constitution is divided into 15 Articles which set out the basic rules governing the Council's business. The Constitution is published on the council's website at:

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

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

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

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 crime, 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 and Anti-Corruption Policy and Strategy**' which outlines the process to be followed where there is suspicion of financial irregularity. The Council also has in place an 'Anti-Money Laundering' policy and a 'Bribery Policy' which sets out both the expectations and responsibilities of both officers and Members. All such policies **and strategies** are subject to periodic review.

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

Complaints are managed via a formal Corporate Complaints policy and procedure in place which is published on the Council's website and set out how a complaint will be dealt with. In accordance with legislation there is a separate Children and Families Complaints Policy in place. Complaints about Members are dealt with under the Members' Code of Conduct complaints procedure. All such policies **and strategies** are subject to periodic review.

Annual Governance Statement

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 Southampton City Council Strategy 2016-2020 ('Council Strategy') reflects feedback from residents, both from the 2015 Priorities Survey and the 2016 City Survey 2016. The Council Strategy sets out how the Council will work in order to deliver services in a modern, efficient and sustainable way that meets the needs of our residents.

The Council's website includes a 'Have your say' section which set out how residents and other stakeholders can voice their opinions and shape service delivery. It includes information on:

- *Consultation*
- *E-Petitions*
- *Comments, compliments and complaints*
- *Have your say at meetings*

In addition, where appropriate, public consultation is used to seek the views of residents and stakeholders. For example the public consultation on budget proposals that helped to shape the final budget report for 2017-18. Information was made available in an easy to understand format and respondents were informed on how their feedback was used. This was then reported to Cabinet before they made their final recommendations to Council.

The 2016 City Survey, which asked residents about their views and opinions on a range of issues facing the city, was commissioned by Southampton Connect and the Police, Council and NHS, and was intended to capture and help understand the views of local residents. This survey is repeated every other year in order to understand trends and evaluate performance. **The 2018 City Survey commenced on 2nd July.**

The Council has established a 'People's Panel' which now has a membership of over 1,450. This Panel comprises a group of residents who take part in various forms of activity including surveys, quick polls, interviews and workshops. Their views are used to inform future decisions and services. Residents' views are also tracked over time over time to see how changes in the city affect their opinions and experience of the city.

There is a strong focus on youth participation in the city via 'The Youth Forum Southampton' which provides opportunity for young people to influence how services are delivered, highlight issues that need to be reviewed, and to help shape public services for the community. The Council has also relaunched three children in care councils for different age groups. The 'Southampton Speak Up! - Children and Young People's Participation Strategy 2016-2020' explains how young people can get involved to help make Southampton a better place.

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

The Southampton City Council Strategy 2016-2020 ('Council Strategy') is a key strategic document that sets out what the Council wants to achieve, what it will do, how it will work and how it will contribute to the Southampton City Strategy (2015-2025). The Council Strategy sets out the targets, commitments and outcomes that are expected to be achieved by 2020. It influences all other Council strategies and policies developed during this period, as well as the Council's spending decisions. The priority outcomes in the Council Strategy are:

Annual Governance Statement

- *Southampton has strong and sustainable economic growth*
- *Children and young people get a good start in life*
- *People in Southampton live safe, healthy, independent lives*
- *Southampton is an attractive modern city where people are proud to live and work*

Performance against the key indicators is actively monitored with performance reports published each quarter. We have been developing our approach to Outcomes Based Planning and Budgeting (OBPB) so that there is growing clarity between the outcomes that we want to achieve and how we prioritise resource allocation. Therefore we are now operating in a much clearer and streamlined strategic framework, to deliver outcomes set by elected Members. We now work to a suite of key strategies that drive our plans set within the framework of:

- *Council Strategy;*
- *Medium Term Financial Strategy;*
- *Customer Strategy; and*
- *Workforce Strategy.*

The 'golden thread' is further strengthened through changes to the performance management framework and annual performance reviews which make clear links between objectives set for staff and the council's priority outcomes.

The Southampton City Strategy (2015-2025) is a partnership strategy which sets out the vision for the whole city: *'Southampton a city of opportunity where everyone thrives'*. This Strategy has been developed by Southampton Connect which is a strategic partnership in the city that seeks to address the key challenges facing the city in order to improve outcomes for all those who live, work and visit the city. This group, currently chaired by the Chief Executive of Southampton City Council (Chair changing to another Connect member organisation in Spring 2018) and including city leaders for health, business, education, police, fire and rescue and the voluntary sector, have come together to agree a 10 year city vision.

At a sub-regional level delivery of key outcomes and priorities 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 area to support the sustainable economic growth of the sub region. Solent LEP is led by the business community and supported by three university partners, the further education sector, three unitary authority Leaders, eight district councils, one county council and the voluntary and community sector – all working together to secure a more prosperous and sustainable future for the Solent area. The Government's Industrial Strategy (Nov 2017) identifies LEPs as leads for the development of Local Industrial Strategies, identifying actions and resource requirements for enhanced local growth and productivity (where the area does not have a Mayoral Combined Authority) PUSH works collaboratively with Solent LEP to deliver its roles and objectives.

In 2016, Southampton City Council, Portsmouth City Council and Isle of Wight Council worked with wider Solent authorities and Solent Local Enterprise Partnership to negotiate a devolution deal with HM Government. Following a public consultation on the governance arrangements for the deal, a submission was made by the three authorities to the Secretary of State in the Autumn of 2016, requesting consideration of proposed arrangements to establish a Solent Mayoral Combined Authority. The outcome of this submission is awaited.

The Council's Medium Term Financial Strategy ('MTFS') is a core part of the Council's strategic framework and plays a pivotal role in translating the Council's strategic plans and ambitions into action. The MTFS focuses on determining the financial position for the next five years and takes into account major issues affecting the Council's finances, including international, national and regional economic

Annual Governance Statement

influences as well as local factors and priorities. An updated MTFs for the period 2018/19 to 2021/22 was approved by Full Council in February 2018.

The objective of the MTFs is to provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the council's outcomes. The Strategy is based around 6 key aims:

- *To provide financial parameters within which budget and service planning should take place;*
- *To ensure the council sets a balanced budget;*
- *To 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 a clear alignment between priority and affordability;*
- *To ensure the council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area;*
- *To plan the level of fees, charges and taxation in line with levels that the council regard as being necessary, acceptable and affordable to meet the council's aims, objectives, policies and priorities whilst gradually reducing the council's reliance on Central Government funding; and*
- *To ensure that the council's long term financial health and viability remain sound.*

Development of the MTFs takes into account a number of other strategies including the Southampton Better Care Plan. The Better Care Plan identifies key areas where closer integration between health and social care will enable system wide efficiencies that benefit both parties and improve the experience and outcomes for the service users. The associated Better Care Fund, which commenced in 2015, pools and aligns funding for a significant number of services via a formal contract between the Council and Southampton City Clinical Commissioning Group. For the Council these efficiencies are included within the medium term financial forecast. In recognition of the pressures in dealing with adult social care demand, local authorities are able to levy a "social care precept" of up to 3% in council tax which must be spent exclusively on social care. The Government has also provided £1.5 billion nationally - by way of an Improved Better Care Fund grant - for local authorities to spend on adult social care. Taken together, these two measures are estimated to provide £3.5bn nationally by 2019/20 to address the demographic pressures facing the social care system. Governance across this work is via Cabinet member and senior officer representation on the Commissioning Partnership Board and strategic oversight from the Health and Wellbeing board.

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

The Council has in place a robust decision making process with all reports are subject to corporate clearance (Legal, Finance and Policy) prior to publication in accordance with the published procedures (which form part of the Council Constitution). All reports follow a standard template which identifies the 'Decision Maker', the decision or action required, why the report is recommended, alternative options considered together with a details (including consultation carried out) section. The template also includes separate sections detailing any Financial (Resource), Legal, Risk Management and Policy implications. These consider the how proposals will be paid for, the statutory power to undertake the action and including reference to any legislation that affects the proposals, information on the risks that are being accepted as part of the decision and confirmation that the report proposals are in accordance with the Council's approved Policy Framework.

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, monitoring performance and budgets, Scrutiny provides the role of the "critical friend" to the decision makers and

Annual Governance Statement

assists in policy development, drives improvement in public services and enables the voice of the public to be heard. There are a number of Scrutiny Panels that support the work of the Executive and the Council as a whole. The Scrutiny Inquiry Panel carries out a work programme of scrutiny inquiries approved by the OSMC. In addition, the Health Overview and Scrutiny Panel undertakes the statutory scrutiny of health and adult social care agencies in Southampton, and the Children and Families Scrutiny Panel scrutinises services for children and families in the city, including education.

All scrutiny meetings are held in public with opportunity for the public to ask questions or submit questions in writing to the committee or panels. Scrutiny inquiries can consider written evidence and members of the public, community groups, or other key stakeholders can write in to bring evidence to the attention of Inquiry Panel members.

The Council has in place 'Outcome Plans' that are explicitly aligned with the Council's key priorities and outcomes and areas of focus as set out in the Council Strategy. These plans identify the key challenges and opportunities associated with the delivery of the respective key priority and outcomes and how they can be addressed. These plans reflect 'How we are performing' (against a base year 2015-2016) and 'How we will perform in 2019-2020' with a suite of key performance measures explicitly aligned with the individual key priority outcomes and the Council Strategy scorecard. Performance against these measures or indicators is subject to regular and robust review by both the Council Management Team and Members, and the measures themselves are regularly reviewed and amended as required to ensure that they remain appropriate in monitoring the key areas of focus. The outcome plans also outline the budget allocated to the delivery of services aligned to delivering the outcome.

~~Each service area within the Council is also required to produce a business plan that includes what services will be provided (aligned to outcomes) and how these services will be delivered.~~

Budget pressures arising from services are identified through regular monitoring of budgets and work plan with action plans to address any significant in year budget variances are agreed with the Council Management Team and subject to monthly progress / status reporting.

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

The Council has in place a Workforce Strategy which is intended to enable the Council to develop its current and future workforce with the right skills, competencies and behaviours to deliver services. This is managed by the Human Resources and Organisational Development service and covers pay and reward, recruitment, retention, performance management, and the training and development of the workforce.

The Workforce Strategy sits alongside the Customer Strategy and the Medium Term Financial Strategy and takes account of challenges in relation to the overall Council budget. It is used to inform resource allocation decisions, drive positive change and deliver agreed outcomes.

The vision is for the Council to be an employer of choice and be recognised as a 'Great Place to Work' where employees have pride in their work, the Council and the city. The success measures are defined in the document and will be delivered through:

- *A skilled, agile, flexible and engaged workforce of high performing, professional staff guided in their work by our core behaviours and delivering the right services effectively and efficiently for a sustainable Council*
- *The Council recognising, developing and rewarding talent and proactively promoting learning and growth across all areas.*

Annual Governance Statement

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

The Council has in place a 'Risk Management Policy 2017-2020' 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 sound risk management principles and practices across all service areas. A register of key Strategic Risks is in place and regularly reviewed by the Council Management Team, with Service Management Teams responsible for identifying and managing risks within their individual areas.

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. This Committee receives periodic reports regarding risk management and would be asked to approve any significant changes to the Risk Management Policy. The Governance Committee undertakes the core functions of an audit committee and operates in accordance with CIPFA guidance.

Performance against the key indicators in the Council Strategy is published on the council website for each quarterly period and is actively monitored and reported to both the Council's Management Team, Strategy Unit and the Overview and Scrutiny Management Committee. 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. Regular review meetings are held with key suppliers in order to ensure that contracts remain fit for purpose. In addition, all significant commercial partnership working arrangements have a range of key performance indicators which are used to verify and manage service performance. These outsourced contracts are managed by a Supplier Management Team which provides a senior management interface between the Council and our partnership service providers.

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 (2016)'. The CFO is professionally qualified and is a member of the Council Management Team and has direct access to the Chief Executive. The CFO is actively involved in ensuring that strategic objectives are aligned to the longer-term finance strategy. 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.

The Council's assurance arrangements also conform to the governance requirements of the CIPFA 'Statement on the Role of the Head of Internal Audit in public service organisations (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).

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 has established a 'Council Data' web page that enables

Annual Governance Statement

the public to access a range of information that is published in accordance with the Local Government Transparency Code (2015).

The 'Council Data' web page includes information on council spending with a link to the Council's budget book which provides a comprehensive summary of the Council's 2016/17 Revenue Budget and details the assumptions made and risks considered in setting the budget. It also provides a link to the Statement of Accounts which shows how public money has been used.

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

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

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 Service Director – Strategic Finance & Commercialisation (Section 151 Officer), Chair of the Governance Committee, Chief Strategy Officer, Service Director – Legal & Governance (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 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 Service Director 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. This year the external auditors have issued an 'except for' Value for Money ('VFM') conclusion. This supports the findings of the 'review of effectiveness and is reflected in the 'significant governance issue' Item 9.
- The Chief Internal Auditors 'Annual Report and Opinion' on the adequacy and effectiveness of the council's internal control environment. The Chief Internal Auditor's opinion for 2017-18 was that only limited assurance can be provided that the framework of governance, risk management and control at Southampton City Council is effective. This is referred to further in the 'significant governance issues' (Item 7.) which includes the 'Planned Action'.
- 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;

Annual Governance Statement

- The completion of 'Self-Assessment Statements' by Service Directors which 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;
- 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 specifically the Strategic Risk Register;
- The work of the Governance Committee in relation to the discharge of its responsibility to lead on all aspects of corporate governance.

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

SIGNIFICANT GOVERNANCE ISSUES

The following significant governance issues have been identified:

1. Governance Issue

The general level of staff awareness of the existence and content of the 'Whistleblowing Duty to Act' policy, 'Anti-Fraud and Corruption Strategy' and 'Anti Money Laundering Policy' and associated responsibilities is still inconsistent. This is notwithstanding that a suite of 'Essential Stuff' documents has been created which provide summarised versions of key policies that staff may need to have an awareness of. There are separate 'Essentials' documents in respect Anti-Fraud and Anti-Corruption, Anti-Money Laundering, Bribery Act and Whistleblowing'.

Planned Action: It is intended create e-learning modules that staff have to complete so that managers can be assured that their staff are aware.

Responsible Officer: Service Director, Human Resources & Organisational Development

Target for completion: March 2019

2. Governance Issue

Whilst the Workforce Strategy provides the framework in terms of the development the council's current and future workforce in terms of required skills and behaviours there is need for a robust and consistent approach to succession planning for key posts and/or a spread of skills to avoid over reliance on any particular individual.

Planned Action: The Chief Strategy Officer and Service Director, HR&OD to work with CMT to identify key posts or roles where succession planning may be required as part of the council's process for outcomes based planning and budgeting and business planning.

Annual Governance Statement

Responsible Officer: Service Director, Human Resources & Organisational Development

Target for completion: September 2018

3. Governance Issue

The Anti-Fraud and Anti-Corruption Policy and Strategy needs to be reviewed and updated together with the Bribery Act Policy and Anti Money Laundering Policy.

COMPLETED ACTION: Updated versions of the policies were reviewed and approved by the Governance Committee at the April 2018 meeting.

Responsible Officer: Service Director Finance & Commercialisation

4. Governance Issue

The capacity of officers to support and deliver a range of competing priorities will continue to be a challenge notwithstanding the implementation of the new operating model for the council and the associated organisational redesign programme. It is recognised that there will continue to be a range of competing priorities that will need to be managed such that the council is able to deliver better outcomes for our residents and to further improve customers' experiences.

COMPLETED ACTION ~~Planned Action~~: A review of the number and type of activities and projects in place or planned, to support delivery of key priorities, **has been undertaken**. This review exercise, undertaken by the council's Project Management Office and in consultation with both the Council Management Team and the council's Cabinet Members, has resulted in a better understanding of capacity and has informed decisions around prioritisation and scheduling.

Responsible Officer: Chief Strategy Officer

~~**Target for completion:** September 2018~~

5. Governance Issue

A new Performance Management Framework was approved and implemented in 2017 which was intended to provide a consistent framework for Annual Performance Reviews (APRs). There are however still some significant inconsistencies across service areas in terms of compliance with the APR process.

The APR template was reviewed in early 2018 following feedback which suggested that the template and associated process could be much more straightforward to enable the emphasis to be on more meaningful dialogue rather than the process itself.

Planned Action: A redesigned Annual Performance Review template has been issued and includes an on-line "button" to auto submit / record that APRs are completed. This is intended to help managers, with support from the HR team, to track an overall picture so that they are able to take appropriate action where this is not being done. HR Advisors will be asking for feedback on the new template and will be checking for overall compliance to ensure that APRs are being held at all levels.

Responsible Officer: Service Director, Human Resources & Organisational Development

Target for completion: March 2019 - in terms of an overall review of compliance

6. Governance Issue

Annual Governance Statement

There are a range of controls in place to manage the risk of a cyber security incident and in the event of successful cyber-attack the council's Major Incident process would be followed. It is recognised however that there is a need to test the corporate response in the event of such an incident in order to identify any significant gaps or weaknesses.

Planned Action: A draft 'Cyber Response Plan' is in development and will appear as an annex to the Corporate Business Continuity Plan. An appropriate desktop exercise to be identified and delivered in consultation with key stakeholders.

Responsible Officer: Service Director, Digital and Business Operations

Target for completion: Oct 2018

7. Governance Issue

For 2017-18 the number of internal audit reviews where the overall level of assurance has been assessed as 'limited' (and in a small number of cases assessed as 'no assurance') has increased compared with 2016-17. It is considered that this reflects a change in the delivery of the internal audit function which is now provided by an in-house audit team including a shared Chief Internal Auditor with Portsmouth City Council. The service has been repositioned in terms of its visibility and profile within the organisation and has developed and delivered a more directed and focussed audit programme.

Planned Action: Internal audit will undertake follow-up reviews of all 'limited' and 'no assurance' reports as part of the 2018-19 Internal Audit plan. This will not only assess the status and effectiveness of agreed actions relating to the individual audit reports but will also provide an overview in terms of overall management response to risk and controls. The foregoing will be reflected in the Internal Audit Progress Reports that are presented to the Governance Committee throughout the year and eventually in the Chief Internal Auditors Annual Report and Opinion.

Responsible Officer: Service Director Finance & Commercialisation

Target for completion: March 2019

8. Governance Issue

Whilst the H&S policy, arrangements, safe working procedures (including H&S training), management training, provide the framework in terms of the requirement to identify and deliver training to ensure staff H&S competency, there is a further need for guidance around application of training against roles.

Planned Action: Develop generic training matrices which may thereafter be amended and refined by service managers against local and specific need

Responsible Officer: Service Director, Human Resources & Organisational Development

Target for completion: August 2018

9. Governance Issue

Whilst 'Contract Procedure Rules' are in place that require all council buying to be undertaken in line with legislation and to achieve best value, there is evidence of areas of non-compliance particularly in respect of those procurements where the Procurement Service Team has not been directly engaged in the process.

Annual Governance Statement

Planned Action: The actions to address this issue are to be progressed via the council's Strategic Risk Register. This reflects the significance of the issue noting that the Strategic Risk Register identifies and captures the key strategic risks that need to be managed and is directly overseen by the Council Management Team. The Strategic Risk Register is reviewed and reported to the Council Management Team on a quarterly basis. This review process will consider and, where necessary, challenge the status of the mitigating actions.

Responsible Officer: Service Director, Digital and Business Operations

Target for completion: December 2018

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

.....
Richard Crouch
Interim Chief Executive

.....
Councillor Christopher Hammond
Leader of the Council

on behalf of Southampton City Council