

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-of-corporate-governance-feb-2020_tcm63-396028.pdf

or can be obtained from the:

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

This statement explains how the council has complied with the 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.

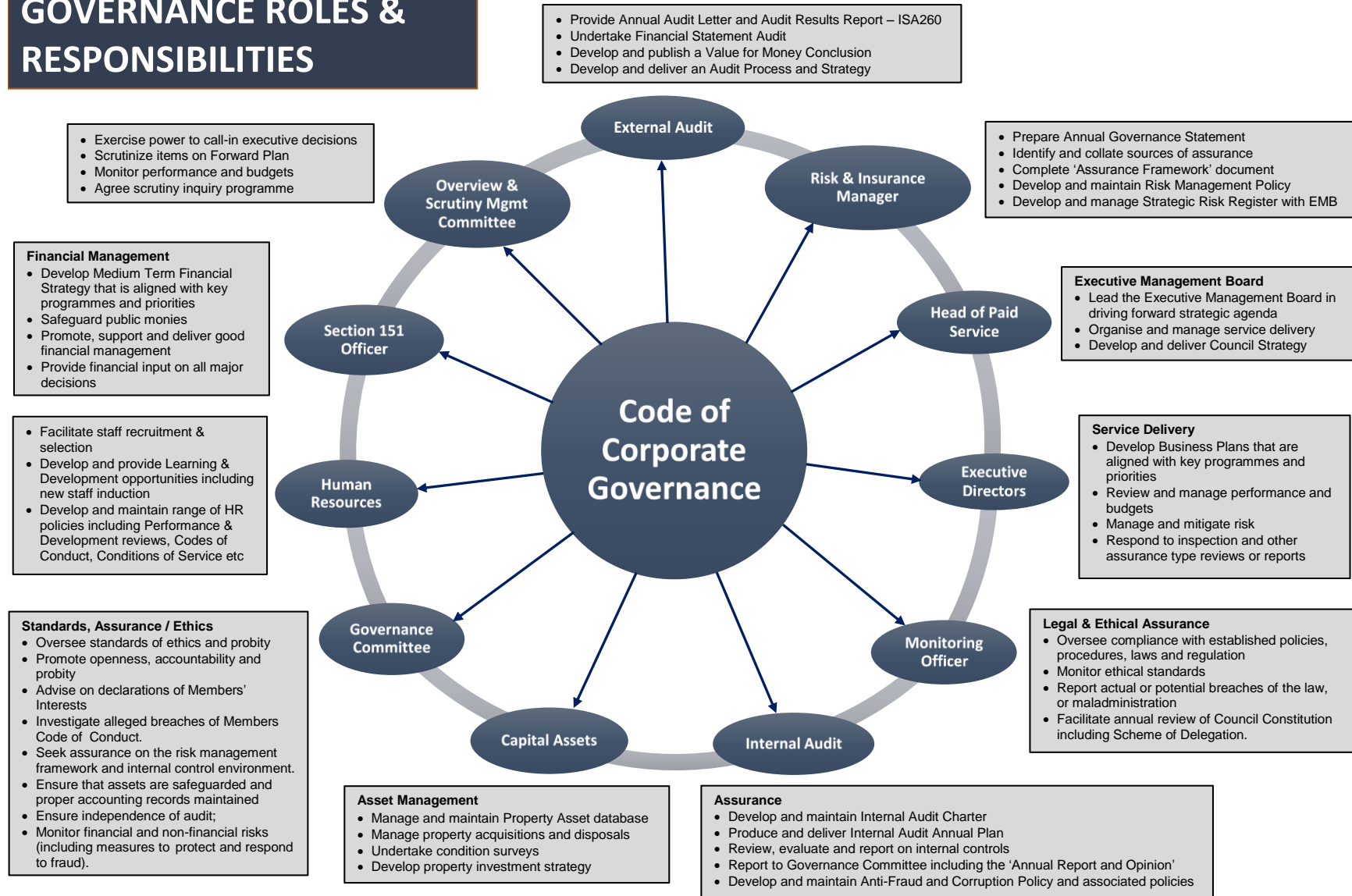
Good governance is crucial as it leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. Further, good governance enables an authority to pursue its aims effectively whilst controlling and managing 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 2020 and up to the date of approval of the statement of accounts.

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GOVERNANCE ROLES & RESPONSIBILITIES



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The Governance Framework

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

Impact of the Covid-19 Pandemic on Governance

This Annual Governance Statement ('AGS') assesses the governance arrangements that were in place during 2019/20 and for most of the year the governance arrangements as described in this document were in place and unaffected by Covid-19. It is however recognised that the Covid-19 pandemic did have an impact on governance during March 2020 and into 2020-21 (and potentially beyond).

The following is a summary of the council's initial response in terms of the impact on governance:

At commencement of the initial lockdown period it was identified that the usual decision-making processes may become impossible or unlawful to carry out. In order to aid delivery of council functions during the pandemic, on 18th March 2020, Council resolved to temporarily suspend all parts of the Constitution that required formal decision making by Elected Members. This action was necessary in order to ensure continuity and agility when dealing with the pandemic and, in the temporary absence of Full Council meetings, further authority was delegated to the Chief Executive, Executive Directors and the Service Director; Legal and Business Operations (and Heads of Service in their absence), to exercise all decisions that would ordinarily be decided by members. Decisions would only be valid after consultation with the Leader of the Council and/or the relevant Cabinet Member as appropriate. The foregoing included the suspension of all financial limits and the Key Decision criteria but did not include setting new strategic policy or council priorities which have a democratic mandate from the citizens of Southampton.

In May 2020 the Emergency Rules approved by Council in March 2020 were removed in light of the new law to permit virtual decision-making meetings. The report to Council included details of the Officer Delegated Decisions that had been taken under the Emergency Rules.

The elections that were due in May 2020 were postponed until May 2021 in line with government direction.

The council's Financial Procedure Rules ('FPRs') provide authorisation levels within which Officers and the Executive can act, with financial decisions deemed to have a significant impact on the Budget reserved to Council. The impact of Covid-19 was that significant external funding was provided at short notice and approval was needed to enable the deployment of the monies at a local level for both ring-fenced and discretionary pass-through of funds.

In order to avoid the necessity of special council meetings having to be called each time new external funding streams were announced (often with short notice to implement spend) it was agreed, at an Extraordinary Council meeting in June 2020, that FPR's be amended to raise the levels in respect of which Covid-19 related funding acceptance or spend required Cabinet or Council approval. It was also agreed that controls over payment schedules would be temporarily relaxed in order to facilitate the speedy distribution of funds to those in need and that the definition of a Key Decision be further amended to exclude Covid-19 related expenditure from the financial and strategic or policy impact trigger points at which a 'Key Decision' would be required.

Following the outbreak of Covid-19, the council has been closely monitoring all aspects of the financial impact of the crisis together with the longer-term implications on the council's medium-term financial strategy.

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In response to Covid-19 and imposition of lockdown, the council enacted its emergency planning structure in March 2020. This comprises strategic 'Gold Command', chaired by the Deputy Chief Executive and made up of the Chief Executive, Executive Directors and including the Interim Director of Public Health, together with an operational 'Silver Command' chaired by the Service Director, Business Development and made up of Heads of Service and other relevant key officers. Each group met to discuss, recommend and agree operational and service delivery matters including reviewing the both the council's 'Covid Risk Log' and the 'Stop – Start' register. The former captured the new or emerging risks across the council arising from Covid-19 together with the mitigations in place, with the latter tracking those services and activities that had to be stopped to either due to lockdown restrictions or to enable additional resources to support the delivery of critical services. The risks that were initially identified on the Covid Risk Log have since been transferred, and are now being managed, via the council's Strategic Risk Register or the Health Protection Board's Outbreak Control Plan Risk Log.

'Gold Command' initially met on a daily basis from March which reduced to three times a week during April and then to weekly in May. 'Silver Command' met on a weekly basis throughout this initial period. There were also regular meetings between the council's Executive Management Board and Cabinet to provide updates on Covid-19 related issues.

The frequency of both 'Gold' and 'Silver' Command meetings is aligned with and reflects the current status of the pandemic in terms of spread of infection and impact on council services. For a short period in September the frequency of meetings was reduced however it has since been increased to reflect the anticipated 'second wave'.

In addition, the council's Emergency Preparedness, Resilience and Response Team, the interim Director of Public Health and other relevant key officers have, and continue to, work closely with colleagues on the Hampshire & Isle of Wight Local Resilience Forum ('HIOW LRF') to ensure that the emergency response is managed in a way that is proportionate and ensures that the local system, especially in health and care, is able to cope with the pandemic. The LRF is a formal legal partnership of key statutory agencies in a given area and is working together on the response to Covid-19, as well as focusing on plans to help the residents, businesses and communities across Hampshire and the Isle of Wight to recover from the wider effects of the pandemic.

A Southampton COVID-19 Health Protection Board was also established to provide strategic system-wide leadership in preventing the spread of COVID-19 infection, and a Councillor-led Outbreak Engagement Board established to ensure robust public engagement and assurance in relation to outbreaks of COVID-19 infection.

The council also put in place 'recovery workstreams' led by nominated Executive Directors which, where appropriate, seek to reflect on the lessons learned from the council's initial response to the outbreak and ensure that these are incorporated in the 'second wave planning'.

It is recognised that the impact of the Covid-19 pandemic will be to significantly reduce the coverage of the wider assurance framework on the organisation. There will be a slightly reduced audit plan, to take account of changing circumstances, and reduced activity of external inspectorates and regulators, as well as change in focus in some cases.

Changes to the Council's governance arrangements in response to the Covid-19 crisis will be assessed and its governance arrangements optimised to take account of the new operating environment with the medium to longer term impact on governance to be reflected and reported on the 2020/21 AGS.

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

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

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

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

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

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

The council takes any complaints that it receives seriously and has processes to follow to make sure that every complaint is dealt with fairly and sorted out as quickly as possible. A formal Corporate Services and Adult Social Care 'Customer Comments, Compliments and Complaints Policy' is in place which is published on the council's website. This document, which sets out how customers may wish to share their experiences of using council services, is subject to annual review. In accordance with legislation there is a separate 'Children and Families Statutory Complaint Policy' in place. Complaints relating to Members are dealt with under the Members' Code of Conduct.

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B. Ensuring openness and comprehensive stakeholder engagement

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

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

Where appropriate, public consultation is used to seek the views of residents and stakeholders. For example the public consultation on budget proposals that helped to shape the budget report for 2020/21 and onward to 2022/23. Information was communicated in an easy to understand format with analysis on the consultation feedback considered by Cabinet before they made their final recommendations to Full Council.

The 2018 City Survey, which asked residents about their views and opinions on a range of issues facing the city, was commissioned by Southampton City Council with Southampton Connect (a multiagency partnership including representatives from the public, private and voluntary/community sectors) the Police and the NHS. This was intended to capture and help understand the views of local residents. The survey was undertaken by telephone using a mixture of random digit dial (RDD) and Mobile telephone samples of residents across the authority area and a total of 1,190 valid surveys were completed. The City Survey is used to monitor the success of key council strategies and to prioritise activity and was intended to be repeated in 2020. This was however overtaken by events, noting that three 'Residents' Survey – Coronavirus (Covid-19)' have been undertaken in 2020. These were intended to obtain an understanding of how residents are interpreting guidance, how the pandemic is impacting on their lives and the concerns that they may have during this time.

The council has in place a 'People's Panel' which now has a membership of over 2,000 people and is open to anyone over the age of 18 to join. This Panel comprises a group of residents who take part in surveys and other opportunities to express their views on council services, health services and living in the city. Run by Southampton City Council and with support from the University of Southampton, the People's Panel has been active since 2015 and the results from surveys have been used to inform a number of decisions and service changes.

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

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

The councils 'Children in Care Council' groups provides an opportunity for those children in care to share their views and experiences and making sure that their voices are heard with a view to improving things for themselves and others.

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

In February 2020 the council launched a new Southampton City Council Corporate Plan 2020-2025 ('Corporate Plan') to replace the previous Southampton City Council Strategy 2016-2020. The new Corporate Plan sets out how the council will achieve its vision of Southampton as a city of opportunity. The Corporate Plan will be delivered through achieving detailed business plans, delivering on key initiatives and working positively with partners. Underpinning this is work to support the council as a sustainable organisation, increasing commercial opportunities to generate income, and ensuring that the council is both solid in its financial position and flexible enough to identify important trends and respond to a changing environment. With the goals of creating a greener, fairer, healthier place, and in an environment of continuous change. The Corporate Plan has five key themes to address the opportunities and challenges the city faces over the next five years and beyond.



In order to achieve the council's priority outcomes employees are expected to demonstrate the council's Values. These recognise that the way we work individually and collectively is as important as the work we do, and employees are expected to demonstrate the five Council Values:

-  Customer focused
-  Collaborative
-  Curious and creative
-  Can-do
-  Commercially minded

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There are a number of key strategies, policies and plans which impact on direction of the council and the day to day operations as follows:



In addition, there are other key strategies that reflect the vision and ambition of both the city and wider region.

The Southampton City Strategy (2015-2025) which is a partnership strategy which sets out the vision for the whole city: *'Southampton a city of opportunity where everyone thrives'*. Southampton Connect is an overarching strategic partnership body that has senior level representation from key agencies and sectors covering private, public and voluntary sectors within the city. This independent partnership which brings together senior city representatives seeking to address the key challenges and opportunities for Southampton and working with the city's key partners to improve the outcomes of the people of Southampton.

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

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

The Solent LEP is a locally-owned partnership between businesses and local authorities and plays a central role in determining local economic priorities and undertaking activities to drive economic growth

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and the creation of local jobs. The Board of the Solent LEP is democratically elected by its members, who are drawn from the area's key business, education and local authorities. On a wider basis, working with Local Authority partners, has seen the creation of the Solent Leaders Forum, further strengthening joint working and collaboration across the area. In 2019 a new Solent LEP geography was created now extending further westwards to encompass the whole of the New Forest. In 2020 the Solent LEP will develop a new future facing strategy called Solent 2050.

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

The council's Medium Term Financial Strategy ('MTFS') is also core part of the council's strategic framework and plays a pivotal role in translating the council's strategic plans and ambitions into action. An MTFS for the period 2019/20 to 2022/23 was in place with an updated version for the period 2020/21-2022/23 approved by Full Council in February 2020. 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 priorities. 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 and sustainable 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.

The MTFS takes into account a number of other strategies, policies and plans that impact on the direction of the council and the day to day operations, enabling integrated financial planning over the medium term. The 2019/20 budget setting process incorporated business academies and began to embed commercialisation across the council.

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

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

All scrutiny meetings are held in public, and at the discretion of the Chair provide an 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 the Inquiry Panel members.

'Financial Scorecards' produced for each service area together with a portfolio which provide relevant management information to assist in the explanation of variances and help to encourage evidence based forecasts. Significant in year budget variances are challenged by senior management with action plans and mitigations put in place.

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

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

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

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

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The council also has in place a Workplace equalities policy which reflects the council's long-standing commitment towards the elimination of discrimination and the achievement of equality of outcomes for residents, communities and staff as reflected in our published priorities and organisational values. The policy reaffirms the council's commitment to eliminate discrimination in all that we do and help achieve equality of opportunity and outcomes for our staff and the communities it serves.

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

The council has in place a 'Risk Management Policy' that sets out the framework, arrangements and responsibilities in respect of how risks relating to the delivery of key outcomes and priorities, are identified and managed. This policy is intended to support the application of robust risk management principles and practices across all service areas.

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

The council's Governance Committee has responsibility to provide independent assurance on the adequacy of the risk management framework and the internal control and reporting environment and the integrity of the financial reporting and annual governance statement process. The Governance Committee undertakes the core functions of an audit committee and operates in accordance with CIPFA guidance. It receives a range of periodic reports relating to both the internal control environment and financial management including receiving the draft Statement of Accounts. The Committee receives an annual Risk Management Report that summarises the framework and arrangements in place to manage risk and is intended to provide the Committee with both information and assurance regarding how risk is managed.

The council has in place 'Business Plans' at service level that are aligned with the council's priorities as set out in the Corporate Plan. These plans identify the key challenges and opportunities associated with the delivery of the respective priority projects and how they can be addressed. Heads of Service receive monthly financial performance and absence data and are expected to review performance levels.

All significant commercial partnership working arrangements also have a range of performance indicators which are used to verify and manage service performance. The council is committed to achieving best value from its contracts and ensuring that goods, services and works are procured and contract managed in the most efficient and effective way. Regular review meetings are held with key suppliers in order to ensure that contracts remain fit for purpose. In addition, these outsourced contracts are managed by a Supplier Management Team or the Integrated Commissioning Unit which provide senior management interfaces 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 (the Executive Director Finance and Commercialism) is professionally qualified and is a member of the Executive Management Team and reports directly 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.

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

The council is committed to openness and transparency and publishing as much council data as it can in order to increase accountability. The 'Council Data' page on the council's website allows the public to access a wide range of information and data that is published in accordance with the Local Government Transparency Code (2015). This includes a link to both the current and previous Statement of Accounts together with relevant audit certificates. These documents 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 & Business Operations.

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

The council's assurance arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Head of Internal Audit in public service organisations (2010)' noting that an updated version of the document was published by CIPFA in April 2019. This updated statement mirrors the Public Sector Internal Audit Standards and is embedded in the Internal Audit Charter & Code of Ethics. The Head of Internal Audit (Chief Internal Auditor) is professionally qualified and is responsible for reviewing and reporting on the adequacy of the council's internal control environment, including the arrangements for achieving value for money. The Chief Internal Auditor has direct access to the Chief Executive, and to the council's Monitoring Officer where matters arise relating to Chief Executive responsibility, legality and standards. Where it is considered necessary to the proper discharge of internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Governance Committee).

REVIEW OF EFFECTIVENESS

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is led by a 'Controls Assurance Management Group' comprising the Executive Director - Finance & Commercialism (Section 151 Officer), Chair of the Governance Committee, Executive Director Business Services, Service Director – Legal & Business Operations (Monitoring Officer) and the Chief Internal Auditor.

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

- The views of Internal Audit regularly reported to Governance Committee via the 'Internal Audit: Progress Report' which includes executive summaries of new reports published and highlights any significant risk exposure and control issues, including fraud and governance. Audits rated 'No Assurance' are specifically highlighted to the Governance Committee along with any Director's comments. The Committee is able to request any director attends a meeting to discuss the issues.

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- The views of external auditors, regularly reported to the Governance Committee, including regular progress reports, the Annual Audit Letter and Audit Results Report.
- The Chief Internal Auditors 'Annual Report and Opinion' on the adequacy and effectiveness of the council's internal control environment : The Chief Internal Auditor's opinion for 2019-20 was that a 'limited assurance' opinion was given on the effectiveness of the arrangements relating to the framework of governance, risk management and control at Southampton City Council.

The results of the work carried out in 2019-20 show that, although the level of 'limited' and 'no assurance' reviews have decreased slightly from the previous year (which would indicate that improvements are continuing), an area that still requires work is in relation to movement on the implementation of agreed actions to resolve risk exposure. This is reflected in 'Significant Governance Issue' Item 4.

- The Internal Audit Charter and delivery of the annual Internal Audit plan;
- The work of the Chief Executive, Executive Directors and Service Directors who have responsibility for the development and maintenance of the control and governance environment;
- The completion of 'Self-Assessment Statements' that cover the key processes and systems that comprise the council's governance arrangements and are intended to identify any areas where improvement or further development is required. In previous years, these self-assessments have been completed by the respective Service Directors however, for this year, the process involved a combination of Heads of Service and Service/Executive Directors. This approach was necessary as the implementation of the Resources Review, which comprised a reorganisation of council's top management posts, created some challenges as the AGS is a backward look at the governance arrangements in place in 2019-20.
- Completion of an 'Assurance Framework' document which reflects the key components of the council's overall governance and internal control environment. This document, based on CIPFA/SOLACE guidance, records the key controls in place, and sources of assurance, and identifies any significant gaps or weaknesses in key controls;
- The independent views of regulatory inspection agencies such as Ofsted and the Care Quality Commission;
- The annual report on Risk Management and including the Risk Management Policy and Strategic Risk Register;
- The work of the Governance Committee in relation to the discharge of its responsibility to lead on all aspects of corporate governance.

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

SIGNIFICANT GOVERNANCE ISSUES

The following significant governance issues have been identified:

1. Governance Issue

An important part of both the 2020-25 corporate business planning process and the council's Workforce Strategy is the requirement for service areas to identify and consider future organisational development requirements and including the resilience of the service and, in particular, succession planning. This is however an area where further actions are required within service areas in terms of having in place formal/ informal succession plans noting that the 2019 Resources Review, which saw

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the reorganisation of council's senior management, resulted in some areas of experience exiting the organisation and gaps opening in skills levels or resilience.

Planned Action (including update): Work during coronavirus lockdown has looked at skills survey for staff against critical services and Business Plans have been updated to reflect this. It was intended that lessons learned from the initial lockdown period would be pulled together through EMB to help understand key skills issues and identify any gaps. This work has however been superseded by work that is focused on redeployment planning for a 2nd wave of the pandemic, which has focused on skills and requirements in this context.

Responsible Officer: Service Director Human Resources & Organisational Development

Target Date for completion: End Q3 2020-21

2. Governance Issue

A resourcing review of the council's top 50 management posts was undertaken in 2019. This 'Resources Review' was designed to ensure that the organisational structure was aligned with the five key strategic themes, agreed with Council in July 2019, to address the opportunities and challenges the city faces over the next five years and beyond. Associated with this process was the creation of a new reporting hierarchy comprising the 'Executive Management Team (Executive Directors and Chief Executive), Senior Leadership Team (Service Directors and Heads of Service), Leadership Team (including service managers).

During this process it was necessary for interim postholders to be in place and/or appointed to certain senior management posts whilst the appointment and recruitment process was undertaken and completed.

Completed Action: All Senior posts were recruited to by the end of 2019 with all new postholders and organisational structures in place 1st April 2020

3. Governance Issue

Lack of consistent adherence and compliance by officers to policies such as Employee Gifts & Hospitality and Registration of Outside Interest, and Travel and Subsistence. The self-assessment return indicates that there are still pockets across the Authority that are unfamiliar with the required arrangements and declarations that should be completed. This position was also supported with the results of the follow-up Internal Audit review for, Ethics, where agreed actions had been delayed. The actions outstanding are regarding staff awareness/ registration and the need to update the policy.

Planned Action (including update): Policies were communicated and we are looking at new forms library as the old platform is decommissioned. An HR policy group has been established, and has completed 6 reviews, 5 policies currently under review. This work is ongoing.

A second 'follow up' Internal Audit report issued in September 2020, which focussed on awareness of and compliance with the Registration of Outside Interest Policy and the Gifts and Hospitality Policy, showed an improved position with an overall assurance level of 'Reasonable'.

Responsible Officer: Executive Director Business Services

Target date for completion: End Q3 2020-21

4. Governance Issue

An agreed process has been developed whereby Internal Audit provides a periodic report to the council's Executive Management Team in respect of 'follow up' reviews on any 'limited' or 'no assurance' audit reports. This is in terms of seeking to prompt or ensure, on a consistent basis, that

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the agreed management actions have been implemented or otherwise satisfactorily progressed. This is reflected in the Chief Internal Auditors Annual Report and Opinion

Full implementation of this process, which commenced in February 2020, has however been adversely impacted by Covid 19.

Planned Action (including update): Revised reporting arrangement to be developed and built into the revamped performance reporting framework for the Executive Management Team.

The Corporate reporting dashboard was introduced in July and is scheduled on a quarterly basis going forwards. This, and all key governance reporting (Information Governance, Internal Audit & Risk), will be reported at the same quarterly meetings from January 2021.

Responsible Officer: Executive Director Business Services

Target date for completion: ~~End Q1 2020/21~~ End Q3 2020/21

5. Governance Issue

In order to manage the council's performance effectively the council's revised Senior Management Team needs to review monitoring reports regularly. Plans to conclude a new regular comprehensive monitoring report, and the planned regular reviews of performance at a corporate level, have been disrupted by the Resource Review, which introduced a new senior management structure and team, and the response to the COVID pandemic.

Planned Action (including update): Both the Council Plan and performance outcomes have been revised for the Corporate Business Plan 2020 – 2025 (approved in February 2020) and a comprehensive monitoring approach, including finance, workforce, audit, health and safety and performance matters is in development

The Corporate reporting dashboard was introduced in July and is scheduled on a quarterly basis going forwards. Performance, together with all key governance reporting, will be reported at the same quarterly meetings from January 2021.

Responsible Officer: Executive Director Business Services

Target date for completion: ~~End Q1 2020/21~~ End Q3 2020/21

6. Governance Issue (carried forward from 2018-19)

Whilst a number of actions have been implemented in order to improve officer compliance with the council's procurement policies it was considered to be too soon to for assurance to be provided that they have been fully effective in terms of modifying behaviours. The intention was that, as part of the 2019/20 Internal Audit Annual Plan, an audit review would look to obtain evidence and assurance of modified officer behaviours in respect of compliance with procurement policies.

Completed Action: The Internal Audit review of contract framework and procurement, originally scheduled for March 2020 but had to be deferred to 2020/21 due to the impact of Covid-19, was completed in Q2 20-21 as planned. The audit report is currently in draft and will need client feedback before a final version is issued.

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.

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Signed

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Sandy Hopkins
Chief Executive

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Councillor Christopher Hammond
Leader of the Council

on behalf of Southampton City Council

DRAFT