

Annual Governance Statement

SCOPE OF RESPONSIBILITY

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

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

The council has approved and adopted a Code of Corporate Governance that is consistent with the principles of the ‘Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016). A copy of the code is on our website at:

<http://www.southampton.gov.uk/council-democracy/corp-governance/>

or can be obtained from the:

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

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

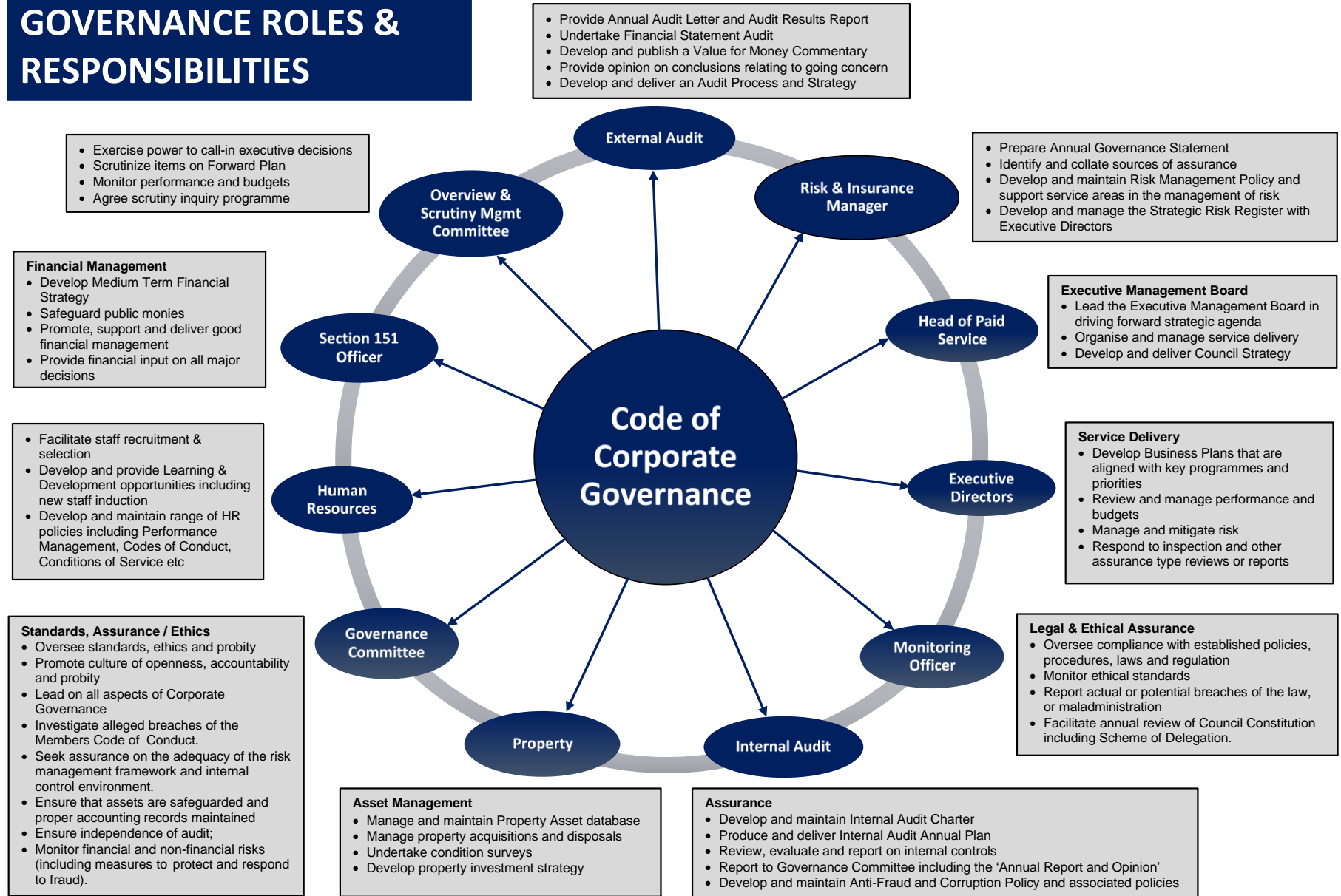
Good governance is crucial as it leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. Further, good governance enables an authority to pursue its aims effectively whilst controlling and managing 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 2022 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

NOTE: *As per CIPFA Guidance, the 2021-22 AGS is still expected to include a section that summarises the 'impact of the Covid-19 Pandemic on Governance'. This is notwithstanding that the 2020-21 AGS, approved at the end of September 2021, included a detailed and up to date comment on the position at the time. The comments for the 2021-22 AGS (which must be current at the time it is published) will be developed in advance of the September meeting and will comment briefly on any adaptations to reflect new ways of working, changes to 'business as usual' activities and longer-term changes to priorities, strategies, and plans.*

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 regulations, and reporting any actual or potential breaches of the law, or maladministration, to full Council and/or to Cabinet.

As part of the council's 'Collaborative Leadership Programme' training, one of the modules is 'Ethics and Values' which explores the seven principles of public life and the values and behaviours that underpin these.

A 'Whistleblowing Policy' (Duty to Act) is in place and published on the council's website. Whistleblowing is a way for employees to raise reasonably and honestly held concerns they may have about serious matters that could put the council and/or the wider public at risk. Whistleblowing usually involves bringing forward concerns that it is in the public interest to investigate and resolve. Examples are fraud, the giving or taking of bribes, financial malpractice, or practices that might endanger individuals or the environment.

As part of the commitment to safeguard public funds there is an 'Anti-Fraud, Bribery and Corruption Policy' that applies to any actual or suspected internal or external fraud, bribery, corruption, and dishonest dealing that involve the council and or its Members and staff. It also applies to contractors, suppliers, partners, agents, intermediaries, and service users. The council also has in place an 'Anti-Money Laundering' policy which sets out the expectations and responsibilities of both officers and Members in respect of preventing criminal activity through money laundering. This policy details the

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procedures that must be followed (for example reporting of suspicions of money laundering activity) to enable the council and staff to comply with their legal obligations.

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

The council takes any complaint that it receives seriously and has processes to ensure that every complaint is dealt with fairly and investigated and responded to as quickly as possible. The council welcomes hearing customers' comments, compliments, and complaints to better understand how they view our services and use these valuable opportunities to learn and improve for the future. There is a Corporate Services and Adult Social Care 'Customer Comments, Compliments and Complaints Policy' that is published on the council's website and explains how to make a complaint and how it will be dealt with. There is also a separate 'Children Statutory Complaint Procedure' which is also published on the council's website. Both policies were reviewed and updated in 2021/22. In addition, a "paper" complaints form has been designed and made available at "in person" contact points e.g. Libraries and Housing Offices etc, in order to make complaints compliments and comments accessible to those without internet access.

Complaints relating to the conduct of Members are dealt with under the Members' Code of Conduct.

The council's 'Social Value and Green City Procurement Policy' reflects a commitment to proactively work to ensure that all goods, works and services that it procures are sourced ethically and sustainably; both in the way the council procures and in terms of the standards that the council expects its suppliers, service providers and contractors to meet.

The council also has in place a Modern Slavery and Human Trafficking Statement sets out the Council's current position and future plans to understand all potential modern slavery risks related to its business and to put in place steps that are aimed at ensuring that there is no slavery or human trafficking in its own business and/or in its supply chains. In addition, there is e-learning training and associated guidance available to all staff.

B. Ensuring openness and comprehensive stakeholder engagement

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

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

Where appropriate, public consultation is used to seek the views of residents and stakeholders. For example, a public engagement exercise, between 14th February 2022 and 3rd April 2022, was undertaken with residents and stakeholders on the Southampton City Vision (the new Local Plan). It provided an opportunity for residents and stakeholders to help shape the city by "telling us your views about how we can make sure we build the right things in the right places and create somewhere you want to live with the right facilities around you".

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Southampton City Council, in conjunction with other local public service providers, also undertakes a 'City Survey' every two years to collect residents' views on a range of topics. This provides an opportunity to get views of a representative sample of Southampton residents on key / priority issues and to gain better understanding of perceptions of how we are doing as a council and as a city. The surveys also include a set of common Local Government Association questions, which allows Southampton to be benchmarked against the national average and for trends to be tracked over time. Full results are available on the Southampton Data Observatory: <https://data.southampton.gov.uk/> The latest survey ran between October 2020 and December 2020 and included questions on:

- Opinion on the local area
- Opinion on council and other public services
- Communications and Digital exclusion
- Employment
- City of Culture bid
- Transport
- Wellbeing

The council has in place a 'People's Panel' which now has a membership of over 3,500 people and is open to any resident 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 children and young people in the city, with a vision to become a Child Friendly City and working towards the goal of accreditation with UNICEF UK by 2024/25. The programme aims to create cities and communities in the UK where all children have meaningful say in, and truly benefit from, the local decisions, services and spaces that shape their lives. To support this a 'Southampton's Children and Young People's Participation Strategic Plan 2022/27' is now in place and has replaced the 'Southampton Speak Up! - Children and Young People's Participation Strategy 2016-2020'. This new Strategic Plan forms part of an overarching 'Children and Young People's Strategy' that comprises eight strategic plans, alongside a range of service delivery and improvement plans.

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

The Southampton City Council Corporate Plan ('Corporate Plan') sets out how the council will create the environment to achieve the vision of Southampton as a 'city of opportunity'.

The 'Corporate Plan' was revised following the local elections in May 2021 to articulate the priorities and ambitions of the new political administration and set out specific deliverables and timescales. This revised '2021-2025 Corporate Plan' was published on the council website and provided a framework for assessing progress towards those priorities. Progress in respect the commitments, initiatives and priorities was monitored, reviewed, and updated on a six-monthly basis by both the council's Executive Management Board and Cabinet.

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Following the local elections in May 2022, a new 2022-2030 Council Plan has been developed [which is to be presented to Full Council in September 2022 for approval](#). *[this section will need to be further populated when a final draft of the new plan is available and to reference key themes]*

To achieve the council's priority outcomes employees are expected to demonstrate the council's organisational values. These reflect the importance that the council places on behaviours, and the way that employees engage with customers, partners, and colleagues.



Customer focused



Collaborative



Curious and creative



Can-do



Commercially minded

There are also other key strategies that reflect the vision and ambition of both the city and wider region, including the Southampton City Strategy (2015-2025) which is a partnership strategy that sets out the vision for the whole city. Southampton Connect is responsible for the delivery of the Southampton City Strategy with the vision that Southampton is a city of opportunity where everyone thrives. Southampton Connect is an independent partnership which brings together senior city representatives seeking to address the key challenges and opportunities for Southampton and working with the city's key partners to improve the outcomes of the people of Southampton.

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

The PfSH is a partnership of twelve local authorities around the Solent that aims to improve the environmental, cultural, and economic performance of the South Hampshire area. The PfSH brings the partner organisations together at both a political and managerial level with a 2021-2025 Business Plan that sets out the focus of its' work for the next few years. The PfSH is focused on supporting economic growth, delivery of housing and the infrastructure to achieve this in a sustainable manner, and to maintain and enhance the quality of the environment. The PfSH work will be a key element in developing statutory planning policy for the city by [a] demonstrating at a strategic level that the 'duty to cooperate' requirements are being achieved and [b] in helping to identify how housing growth and related infrastructure can be delivered to meet the needs of the city within a sub-regional context. The PfSH engages with a range of other local organisations, stakeholders, and Government to achieve these aims.

The Solent Local Enterprise Partnership ('LEP') is a locally owned partnership between the business community and local authorities and plays a central role in determining local economic priorities and undertaking activities to drive economic growth and the creation of local jobs. The Board of the Solent LEP is democratically elected by its members, who are drawn from the area's key business, universities, the further education sector, and local authorities. [In 2021, a national review of the future role of LEPs was commissioned and a Levelling-Up White Paper, published in February 2022, set a course for LEPs and their future relationship with national and local government. LEPs are to be integrated into local democratic institutions over a timeframe linked to devolution across local government and will continue to provide an independent business voice. Where a devolution deal does not yet exist, as is currently the case in the Solent sub-region, LEPs will continue to play "their vital role in supporting local businesses and the local economy"](#).

Solent Transport is a sub-regional transport partnership that comprises 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

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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.

In July 2021, Government invited expressions of interest from Local Authorities who were interested in progressing dialogue over devolution of powers through a 'County Deal' approach. Subsequently, in addition to a submission by Hampshire County Council, Southampton City Council, Portsmouth City Council and Bournemouth, Christchurch, and Poole Council, all submitted expressions of interest. The Hampshire or Solent region was not selected to be a pilot, but dialogue between the relevant authorities continues, both to establish a preferred geography for any such deal, and to identify the key elements of any such deal between Government and the constituent authorities. This work continues, whilst further information about timescales for the next round of deals is awaited.

Southampton City Council has supported the process of establishing the Solent Freeport, with representation by the Leader of the Council on the Solent Freeport Consortium Limited (SFCL) company from 2020/21 and beyond, along with other local councils and local private sector representation. The Solent Freeport will encompass Southampton and Portsmouth, as well as areas of the New Forest, Isle of Wight, and southern Hampshire. Freeports are an important Government programme that are expected to play an important part in the UK's post-Covid and post-Brexit economic recovery. Freeport status means that normal tax and customs rules do not apply and varying forms of tariff flexibility, tax measures and planning concessions deployed by the Government should help to incentivise private sector investment. Its aim is to contribute to Government's levelling up agenda by bringing jobs, investment, and high-value opportunities to coastal communities. [The Full Business Case for the establishment of the Freeport was submitted to Government in April 2022 and is awaiting approval.](#)

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

The council has in place a robust decision-making process that clearly sets out the actions and accountability in terms of when, how and by whom decisions are taken and where responsibility for decisions making rests. All decision reports are required to be submitted using a standard report template which identifies the 'Decision Maker', the decision or action required, why it is recommended, alternative options considered together with a 'Detail' (including Consultation carried out) section. The template also includes separate sections detailing any Financial/Resource, Legal, Risk and Policy implications. Where appropriate these comment on how proposals will be paid for, the statutory power to undertake the action and/or relevant legislation that affect the proposals, any significant risks associated with the decision that need to be considered and confirmation that the proposals are in accordance with the council's approved Policy Framework. Report authors are required to consult with relevant departments as part of the preparation and development of a report. This will always include Democratic Support, Corporate Legal and Finance but may also include Property, IT etc if the proposals within the draft report are relevant to these areas. All decision reports are signed off by the relevant Executive Director and Cabinet Member.

The council's Overview and Scrutiny Management Committee ("OSMC") manages the council's overview and scrutiny process which includes scrutinising items on the council's Forward Plan and exercising the power to call-in executive decisions, agreeing the scrutiny inquiry programme and monitoring performance and budgets, Scrutiny provides the role of the "critical friend" to the decision makers and assists in policy development, drives improvement in public services and enables the voice of the public to be heard. There are a number of Scrutiny Panels that support the work of the Executive and the council as a whole. The Scrutiny Inquiry Panel carries out a work programme of scrutiny inquiries approved by the OSMC. In addition, the Health Overview and Scrutiny Panel undertakes the

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statutory scrutiny of health and adult social care agencies in Southampton, and the Children and Families Scrutiny Panel scrutinises services for children and families in the city, including education.

From April 2020 to May 2021, due to Covid-19, all scrutiny meetings were held remotely with members of the public able to view meetings live via the council's website. To enable public engagement interested residents or groups were invited to submit questions in writing in advance of the committee or panel meeting. At the discretion of the Chair, members of the public or stakeholder groups who have expressed an interest in contributing on a specific agenda item were invited to attend the virtual scrutiny meeting to contribute to the discussion. In addition, scrutiny inquiries continue to 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. Scrutiny meetings have now transitioned back to in person meetings with the opportunity for members of the public to attend in person or view the meeting on-line.

In 2022 the Council engaged the Centre for Governance and Scrutiny (CfPS) to undertake an informal peer review of aspects of decision making and relationships between officers and members. A draft report has been produced by the Lead Reviewer and once finalised Group Leaders, the Chief Executive and the Director of Legal and Business Services will agree an action plan including the likely dissemination to all members and Leadership Group.

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

The council's current Workforce Strategy is to be replaced in the 2022 financial year by a 'People Strategy' that will show how the council develops its current and future workforce to ensure the council's employees have the right skills, competencies, and behaviours to deliver services. The People Strategy will set 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 will be:

- Reshape and enable the organisation to deliver continuous improvement, effectiveness, efficiency and change;
- Customer First;
- Build Leadership and Management Capability;
- Attract and Retain Talent (Employer of Choice within a shifting economy);
- Learning and Development for all;
- Performance and Reward; and
- Healthy, Safe and Supportive Working Environment.

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

A new 'Collaborative Leadership Programme', aimed at people new to line managing others, existing team leaders, supervisors, and managers up to middle managers and Service manager and above, was formally launched in January 2022 based on the council's core values and built around the leadership competencies. In addition, new 'Senior Leader Development' programmes are being developed that will follow similar models.

In respect of Elected Members, an internal Member Induction and Development programme is in place and offers a suite of learning and development opportunities via targeted service focused sessions or via a monthly briefing programme. Alongside the internal offer, a range of externally delivered training

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events and courses were delivered by the 'Local Government Association, the Local Government Information Unit and South East Employers. These opportunities ranged from 'being a new councillor', supported skill development such as chairing meetings, speed reading and retention, to portfolio based and leadership development training. A review of the Member Learning and Development offer took place during 2021 with input from both Elected Members and internal service areas in order to identify further development and training opportunities. The refreshed programme, for the 2022/23 financial year offers a wide range of training and development events.

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. In November 2021 the council formally adopted a 'Diversity and Inclusion' pledge linked to the Equalities Act 2010. The pledge seeks to commit the council as an employer and partner in exceeding its responsibilities under the legislation and ensuring that support is provided to all those who work with the council and that it is the most diverse and inclusive employer that it can be.

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

The council's Governance Committee has responsibility to provide independent assurance on the adequacy of the risk management framework and the internal control and reporting environment and the integrity of the financial reporting and annual governance statement process. The Governance Committee undertakes the core functions of an audit committee and operates in accordance with CIPFA guidance. The Committee receives a range of periodic reports relating to both the internal control environment and financial management, including receiving the draft Statement of Accounts.

The Committee receives an annual Risk Management Report that summarises the framework and arrangements that the council has in place to manage risk and is intended to provide the Committee with both information and assurance regarding how risk is managed. The report also provides information on the key risk management activities and initiatives undertaken in the year and those planned for the next 12 months. The council also has a 'Risk Management Policy' that sets out the framework, arrangements, and responsibilities in respect of how risks relating to the delivery of key outcomes and priorities are identified and managed. This policy is intended to support the application of robust risk management principles and practices across all service areas. There is also a range of associated guidance documents, templates, and other tools to support officers in identifying and managing risk.

A key element of the council's risk management framework is the council's Strategic Risk Register which is developed in consultation with Executive Directors. This document reflects the key strategic risks that have been identified as needing to be managed in order to support the delivery of the council's key initiatives and priorities. The Strategic Risk Register is updated on a quarterly basis with a report presented to the council's Finance, Commercialisation and Performance Board which comprises the Executive Management Team. The report 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. Risk management is increasingly being used to assess the impacts and risks to the council and its services arising from unforeseen events for example the Afghan refugee resettlement and the conflict in Ukraine. In addition, the need to identify and manage risk runs throughout the council's project and programme management governance process from initiation to implementation.

Effective financial management is key to managing the delivery of a vast range of council services either directly or through/with others and ultimately improving the quality of life for residents. The council's

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Medium Term Financial Strategy ('MTFS') 2022/23 – 2025/26 provides a strategic financial framework and a forward looking approach to achieving long term financial sustainability for the council. It is central to the delivery of the council's priorities in an affordable and sustainable way over the medium term. It also aids robust and methodical planning as it forecasts the council's financial position taking into account known pressures, major issues affecting the council's finances, including external economic influences as well as local priorities and factors.

The MTFS helps the council to respond, in a considered manner, to pressures and changes as a result of internal and external influences. This is particularly important during a period when the council faces considerable pressures and challenges, such as those relating to the Covid-19 pandemic and the increased demand for social care. The MTFS recognises the key role that financial resources play in the future delivery of priorities and in enabling the effective planning, management, and delivery of services. The approach concentrates on the principles that will provide a strong direction for the medium term. The key objectives of the MTFS are to:

- Provide financial parameters within which budget and service planning should take place;
- Ensure that the council sets a balanced and sustainable budget;
- Focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources. Ensuring services are defined on the basis of clear alignment between priority and affordability;
- Ensure that the council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area and, where ring-fenced government funding is reduced, the service area takes action to reduce expenditure accordingly;
- Plan the level of fees, charges, and taxation in line with levels that the council regard as being necessary, acceptable, and affordable to meet the council's aims, objectives, policies, and priorities whilst gradually reducing the council's reliance on Central Government funding; and
- Ensure that the council's long term financial health and viability remain sound.

The MTFS enables integrated service and financial planning over the medium term, using a business planning approach. The resulting Medium Term Financial Model provides the framework within which decisions relating to future service provision can be made.

The Chartered Institute of Public Finance and Accountancy ('CIPFA') published a new Financial Management Code ('FM Code') for authorities to adhere to, with 2021/22 being the first year of compliance. The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It sets out the standards of financial management for local authorities based on broad principles and requires each authority to demonstrate that its processes satisfy the principles of good financial management.

In 2020/21, as part of its preparations for embedding enhanced standards of financial management, officers undertook a self-assessment against the new FM Code in order to identify any significant gaps or areas for development. The conclusion was that there is good practice in financial management but also areas where the need for improvement has been identified. The self-assessment was reviewed by the council's Executive Management Board and was then presented to the Governance Committee in February 2022. In addition, the 2022/23 Budget Report presented to both Cabinet and Council in February 2022 included specific reference to the FM Code. An action plan has been developed which sets out the activities that will improve compliance with the FM Code.

In addition, officers also undertook a self-assessment, using guidance issued by CIPFA, in respect how effectively the organisation's governance arrangements support the achievement of outcomes and delivery of value for money. The self-assessment reflects that the guidance that the AGS should focus on evaluation rather than description of arrangements. The assessment, which considered 'Planning

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for outcomes and VfM', 'Implementation and Delivery', 'Monitoring', 'Assurance Arrangements' and 'Adapting and Learning' identified some areas for improvement. These are reflected in Item 3 of the Significant Governance Issues section at the end of the document.

The council's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer ("CFO") in Local Government. The CFO (the Executive Director for Finance and Commercialisation and Section 151 Officer) is professionally qualified and is a key member of the Executive Management Team and reports directly to the Chief Executive. The CFO is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and also alignment with the council's overall financial strategy. The CFO is also responsible for leading, directing and ensuring that the finance function is fit for purpose.

The council has in place 'Business Plans' at service level that are aligned with the council's priorities and outcomes as set out in the Corporate Plan. The business plans provide an overview of the services being delivered together with the outcomes (and outputs) that are looking to be achieved. The council undertakes an annual business planning and budgeting process with all Service Business plans required to be reviewed to ensure that they reflect changing circumstances, methods of service provision, impact on the budget and the needs of customers. An important part of the process is the 'sustainability/challenge' sessions that focus, in particular, on current and future service costs including opportunities for income growth.

All significant commercial partnership working arrangements also have a range of performance indicators which are used to monitor, verify, and manage service performance. The council is committed to achieving best value from its procurement activities and contracts and ensuring that goods, services, and works are procured, and contract managed in the most efficient and effective way throughout the lifecycle of the contract. Regular review meetings are held with key suppliers in order to ensure that contracts remain fit for purpose. Contract Management Teams in the Supplier Management Team and the Integrated Commissioning Unit support the council in managing contracts throughout the lifecycle of the contract and provide senior management interfaces between the council and our partnership service providers.

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

The council is committed to openness and transparency and publishing as much council data as it can in order to increase accountability. The 'Council Data' page on the council's website allows the public to access a wide range of information and data that is published in accordance with the Local Government Transparency Code (2015).

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

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The council's assurance arrangements conform to the governance requirements of the CIPFA statement on 'The Role of the Head of Internal Audit in Public Service Organisations (2019 Edition)'. This is aligned with the Public Sector Internal Audit Standards and is embedded in the Internal Audit Charter & Code of Ethics. The Head of Internal Audit (Chief Internal Auditor) is professionally qualified and is responsible for reviewing and reporting on the adequacy of the council's internal control environment.

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

REVIEW OF EFFECTIVENESS

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is led by a 'Controls Assurance Management Group' comprising the Executive Director for Finance and Commercialisation and 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 periodic 'Internal Audit: Progress Reports' which include executive summaries of new reviews undertaken in the period and noting that any audits rated as 'No Assurance' are specifically highlighted to the Governance Committee along with any Director's comments. The Committee is able to request any director attends a meeting to discuss the issues.
- The views of external auditors, regularly reported to the Governance Committee, including regular progress reports, the Annual Audit Letter, the Auditors Annual Report, and the Audit Results Report.
- The Chief Internal Auditors 'Annual Report and Opinion' for 2021-22 was that [improvements have been maintained from the previous year to the extent that the overall opinion level can increase to 'Reasonable Assurance'](#). This is an improvement from the previous year which was rated as 'Limited Assurance'. The results across audit work performed during 2021-22 have not identified any systemic failings however, there are pockets across the council that require further work to enhance the control environment, noting that some of these areas have been impacted by structural changes that will need to settle. The impact of Covid 19 and changes to working patterns, including transformational changes across the council, may also highlight additional areas for focus and auditing over time.
- 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 'AGS Self-Assessment Statements' that cover the key processes and systems that comprise the council's governance arrangements and are intended to identify any areas where improvement or further development is required. The self-assessments are completed by individual Heads of Service or Service Directors on behalf of their service areas in order to ensure that the most representative and comprehensive oversight is obtained. The returns are then reviewed and signed off by the relevant Executive Director.

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- 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 Risk Management report that is presented to the Governance Committee.
- The work of the Governance Committee in relation to the discharge of its responsibility to lead on all aspects of corporate governance.

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

SIGNIFICANT GOVERNANCE ISSUES

The following significant governance issues have been identified:

1. Governance Issue

The 2020-21 AGS identified that there was inconsistency in respect of the extent to which succession planning had been formally considered within service areas across the council and that there were areas where there was reliance on a limited number of key individuals. The agreed action was that Heads of Service would work with their 'Human Resources Business Partner' to fully understand the tools available to develop and have in place appropriate service resilience and succession planning arrangements.

During 2021-22 the Human Resources & Organisational Development Team developed a draft 'Talent Management and Succession Planning Strategy'. In developing this strategy, a range of research was analysed, including by the Chartered Institute of Personnel and Development and how other organisations have managed these processes. The council also secured three LGA consultancy days to support the work in this area, with desktop reviews of relevant policies and processes being undertaken together with interviews and focus groups with managers, employees, and the Trades Unions.

Planned Action: The new 'People Strategy' is to be considered by the Executive Management Board ('EMB') on 19th July. Aligned with this is a new 'Talent Management and Succession Planning Strategy' that has been developed by HR & OD and has been shared with Heads of Service for their input. Subject to approval by EMB on 9th August, this strategy will be rolled out across the organisation with the support of the respective Human Resources Business Partners and the Organisational Development Team.

Responsible Officer: Service Director Human Resources & Organisational Development

Target Date for completion: Strategy agreement by End Q2 2022/23 and implementation thereafter, which will occur across 2022/23 and beyond.

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Governance Issue

2.

Full compliance with the new CIPFA Financial Management Code noting that in 2020/21, as part of its preparations for embedding enhanced standards of financial management, officers undertook a self-assessment against the new FM Code in order to identify any significant gaps or areas for development. The conclusion was that there is good practice in financial management but also areas where improvement was identified.

Planned Action: Implementation of the activities and actions arising out of the 'self-assessment' that will improve compliance with the FM Code, with an annual update on a 'self-assessment' basis to be provided to councillors via the Annual Governance Statement.

Responsible Officer: Lead by the Executive Director for Finance and Commercialisation and Section 151 Officer but noting that application of the FM Code is the collective responsibility of the council's leadership team which is defined as the collective group of elected councillors and senior officers.

Target date for completion: End Q3 2022/23

Governance Issue

CIPFA guidance advises that "the AGS should include how effectively the organisation's governance arrangements support the achievement of outcomes and delivery of value for money. The AGS should focus on evaluation rather than description of arrangements and should reflect the context of the organisation's achievement of outcomes and value for money ('vfm'). A self-assessment, using guidance issued by CIPFA, was undertaken by officers which identified the following areas for improvement.

Planned Action:

a) **Benchmarking** – This is undertaken in a number of areas and as a base activity when new projects are initiated and good use is made of peer reviews with, where appropriate, results used to understand cost and service comparables. To support a consistent approach to benchmarking at a corporate level the council is assessing the potential use of benchmarking tools that consolidate and utilise national data. This work is being led by Intelligence Innovation & Change in partnership with Finance and other areas across the council.

Lead: Head of Intelligence, Innovation & Change and Head of Financial Planning & Management

b) **Benefits realisation** - Post implementation and lessons learned reviews are standard, with lessons learned papers (including user/employee feedback) feeding into new project initiation sessions and relevant role forums. A 'benefits realisation framework' has been developed (along with additional templates such as a benefit map, profile, and post investment report) with the support of a commercial partner. This will be rolled out across a small number of teams initially, with training during the summer, and once piloted with the phase one teams across the council as a standard part of key project monitoring going forwards.

Lead: Head of Intelligence, Innovation and Change

c) **Contracting arrangements** - Whilst commercial contract monitoring is robust and undertaken in accordance with a contract management framework and performance is measured against contractual indicators for Strategic and Key Managed contracts, a wider review of contracted delivery arrangements across the council is being scoped to ensure that there is a consolidated view of all such arrangements and that outcomes and vfm are being

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delivered and savings opportunities are considered. This review will be undertaken in alignment with the Strategic Procurement Programme. This exercise is being undertaken as a cross-council exercise, led by Supplier Management.

Lead: Head of Supplier Management

Responsible Officer: Executive Director for Finance and Commercialisation and Section 151 Officer

Target date for completion: End Q4 2022/23

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

.....
Mike Harris
Acting Chief Executive

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

on behalf of Southampton City Council