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Annual Governance Statement

1. BACKGROUND AND SCOPE OF RESPONSIBILITY

Argyll and Bute Council's (the Council) governance framework includes the systems, processes and culture by which the Council is controlled, engages with communities and monitors the achievement of strategic objectives. The Council conducts its business in accordance with the law and proper standards. The Council has a duty to make arrangements to secure continuous improvement in the way which its functions are exercised, having regard to the economic, efficient and effective use of public money.

The system of internal control is a key part of the framework and is designed to manage risk to an acceptable level.

In discharging these responsibilities, the Council has put in place proper arrangements for the governance of its affairs and the stewardship of the resources at its disposal. The Council has approved and adopted a Local Code of Corporate Governance (the Code) which is consistent with the principles and requirements of the CIPFA/SOLACE revised Framework for 'Delivering Good Governance in Local Government. This Statement explains how the Council has complied with the Code and meets the requirements of current good practice.

2. THE GOVERNANCE FRAMEWORK

The Code details how the Council will demonstrate compliance with the fundamental principles of corporate governance for public sector bodies. The seven key principles of our governance arrangements in 2022/23 are described in the Code, along with our supporting principles and key aspects of our arrangements to ensure compliance.

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

We have four values, which underpin all that we do and provide a sound basis to achieve transformation to ensure we meet the challenges of the future and deliver quality services. These values are that we have a workforce which is:

Caring Committed Collaborative Creative

We have developed and communicated an [Ethical Framework](#) within the Council's Constitution, which defines standards of behaviour for Members and staff. Protocols for Member/Officer relations are also detailed within the Constitution.

The Councillors' Code of Conduct is set out at a national level, applying to all members in Scottish local authorities and is incorporated into the Council's Constitution as part of the ethical framework which also includes a protocol for the Monitoring Officer. A [Register of Members Interests](#) is publically available for inspection. In addition, the Constitution has a section on conduct at meetings and meeting agendas require declarations of interest to be made where appropriate. Standing orders for meetings are included within the Council's constitution and training and support is provided to members on their role in Council committees.

[Anti-fraud and whistleblowing](#) policies are in place and the Council has adopted the Scottish Public Services Ombudsman's (SPSO's) Model [Complaints Handling Procedure](#).

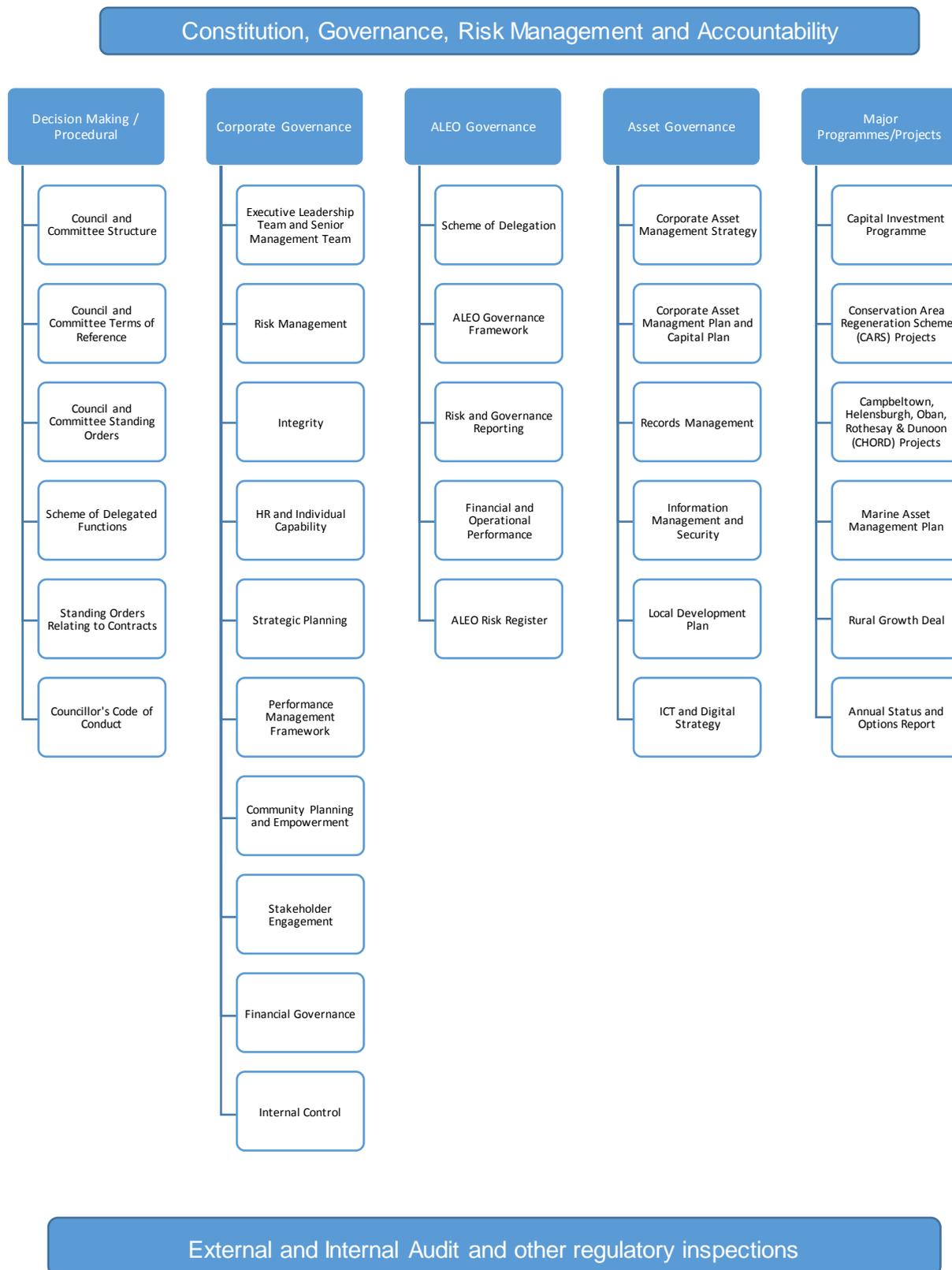
The Council complies with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government.

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In addition, Professional advice on the discharge of statutory social work duties is provided to the Council by the Chief Social Work (CSWO).

A structure of governance and framework across our day to day activities and which support accountability, control, risk management and appropriate overview of the Council are outlined in the diagram below:



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2. Ensuring openness and comprehensive stakeholder engagement.

We have established clear channels of communication with the community and other stakeholders through our Communication Strategy. Key mechanisms include:

[Consultation Diary](#)

The Council has developed a consultation section on its website which hosts all consultations run by the Council and includes a section which publicises the results and/or outcome of the consultation and the resultant decisions that have been taken, showing how they were informed by the consultation process. This is part of our commitment to You Said, We Did information sharing for the public. Consultations provide communities with an opportunity to get involved with wide ranging aspects of the council's work and life in Argyll and Bute.

These include for example, Campbeltown Flood Scheme, Oban Bay Harbour, Roads Reconstruction, Helensburgh Waterfront Development, Community Council Review, Free Period Products Provision and Electrical Vehicle Chargers.

[Keep in the Loop Service](#)

Over 10,500 customers subscribed to receive notifications across the range of services.

'[Myaccount](#)' is a secure sign-in service for accessing online public services in Scotland. It provides the ability to set up an online account and use it to access a growing range of online public services, Scotland-wide, including Argyll and Bute Council. Currently 15,399 customers have signed up to this service and it allows customers to access and personalise their interaction with the Council on a range of services.

[Public Performance Reporting](#)

The Council's website makes all performance information available to the public. This includes information on performance scorecards, budgets and other service related information. This promotes open accountability to the public for its performance against agreed policies and standards. Best Value is the term applied to the means by which the Auditor General and Accounts Commission audits local government on good governance, managing resources, improvement, managing change and delivering services that improve the lives of local people. In 2022 the Accounts Commission announced that its approach to reporting on Best Value is changing from BV3 audits and will now report annually on specific themes from October 2023. This is intended to facilitate the exchange of ideas and performance data, as well as offering a detailed analysis of a specific aspect of the work of all councils. The first theme will be leadership. This will be accompanied by shorter Section 102 reports for each Council over a four year period.

The Council is currently developing a refreshed Corporate Improvement Plan to build on the now completed BV3 Action Plan and this will be brought forward to the Audit and Scrutiny Committee later in 2023.

[Accessibility](#)

Online service provision is only effective if it is easy to access. In order to ensure maximum accessibility for everyone and meet our equalities responsibilities, the Council's website is currently being upgraded to ensure conformance with the latest WCAG 2.2 Guidance and will be relaunched in May 2023. In December 2022 the website had a 98% rating (excellent) and was the 14th highest ranking Council in the UK. Our current and new websites also have the Reachdeck accessibility toolbar for any user seeking additional assistance such as text to speech or translation facilities.

[Community Engagement](#)

The Council supports good community engagement through its recently established

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Engagement Group led by a Head of Service. On this group sit those officers with expertise in engagement including those from Corporate Communications and the Communities & Partnership Team. The Council's Communications Team has produced an engagement toolkit for services to use, and the council's Communities & Partnership Team has resources and expertise to support hard to reach groups, community organisations and remote communities to have a voice in decision making alongside advice and training on best practice in community engagement.

In addition to community engagement, the council's Community Development Officers (within the Communities & Partnership Team) provide a range of wider training and resources to help build the knowledge, skills and confidence of community groups alongside funding support to help empower community organisations to take forward priority projects and activities in their area. The Council continues to promote the [Community led action plan and toolkit](#) (developed in partnership with Scottish Community Development Centre) to help support communities interested in developing a local Community-led Action Plan.

The Community Planning and Community Development Team supports communities to submit Participation Requests to the Council, in line with Part 3 of the Community Empowerment (Scotland) Act 2015.

The Council also oversees the work of Community Learning (Youth Work and Adult Learning) through its collaboration with its Arms-length External Organisation (ALEO) partner Live Argyll.

Council/Committee Meetings

Meetings are always held in public, unless one of the statutory exemptions in the Local Government (Scotland) Act 1973, schedule 7A applies to the content of the report. Agendas for and minutes of meetings are detailed on the Council's website. When schedule 7A applies papers are adjusted to ensure that the maximum amount of content is in the public domain.

The Council's [Constitution](#) defines the roles and responsibilities of the administration, committees, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.

The Standards Commission Advice Note for Councillors on Distinguishing between their Strategic Role and any Operational Work has previously been included in an Elected Member Seminar and is hosted on the Members Resource page on the Hub for ease of reference.

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

Our [Corporate plan](#) sets out our, and our community planning partner's, vision for Argyll and Bute's economic success to be built on a growing population. It also defines our mission "*To make Argyll and Bute a place people choose to live, learn, work and do business*" and establishes our outcomes, priorities and approach to delivering on our shared ambition with our community partners.

We have a [Performance Improvement Framework \(PIF\)](#) that ensures performance is integral to the work of the Council. The PIF is focused not just on measuring what we do but on measuring the difference we make in terms of our outcomes.

Asset management planning and capital investment is structured to consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. The Council has put arrangements in place to comply with key elements of the Community Empowerment Act.

In determining how services and other courses of action should be planned and delivered the

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Council is increasingly engaging with internal and external stakeholders. Community benefit is an important consideration in the procurement of goods and services.

During 2022/23 the Council has acknowledged the effects of the 'Cost of Living' within Argyll and Bute and as a result of being extended, the Flexible food and Fuel fund contract until March 2025 ensuring that the most vulnerable low income households and those using foodbanks in our area can access short-term grants to cover the cost of food and fuel and longer term support through provision benefit maximisation, money advice and energy advice services. In addition the Council has issued 8,000 Scotland Loves Local Gift Cards to low income households in the year ensuring the £960,000 loaded onto the gift cards is spent in local businesses in Argyll and Bute. The Council has also provided a one-stop-shop webpage where individuals and families can access energy advice, money advice and links to the services the Council provides in this area and those provided by third sector partner organisations.

In 2022 and for the fourth year in a row, Argyll & Bute Council successfully reduced their operational carbon emissions. The Council's carbon footprint has reduced around a 33% in emissions since recording commenced in 2015/16. There are a number of factors that have contributed to this reduction such as direct interventions to make buildings more energy & heat efficient, replacing traditional lightbulbs with LED, moving to electric or hybrid vehicles and treating municipal waste in different ways.

Integrated impact assessments as well as environmental, sustainability and island implications are considered during the decision making process to promote fair access to services.

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

Decision makers receive detailed information indicating how intended outcomes would be achieved together with the implications associated with the proposals covering financial, risks and mitigations, integrated impact assessment, acting sustainably, carbon management, island proofing, and changes to schemes, by way of the compulsory sections of the Committee report.

The Council's Executive Leadership Team (ELT) meet regularly with the administration to discuss their key priorities and requirements for decision making in addition there is regular survey and feedback on their needs and a regular review of governance arrangements to ensure that decision making is fully supported.

In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders. Community benefit is an important consideration in the procurement of goods and services. The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of the local community as stated in the Council's Corporate Plan

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

Elected Member Development

The Council has signed up to the Improvement Service's Continuing Professional Development Framework for Elected Members. All Elected Members are provided with opportunities to progress personal development plans so that individual training needs and

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aspirations are identified and support provided as appropriate. This is complemented by a comprehensive seminar and workshop programme which addresses a wide range of topics and strategic issues. Additional training was undertaken by Elected Members in relation to the technology, knowledge and skills necessary to support the transition to a virtual environment including webcasting of strategic Committee meetings and the operation of meetings on a hybrid basis, enabling a mixed attendance of members being physically or virtually present.

Officer Development

The Council supports officer development through a structured approach, driven by the values set out in the Corporate Plan and a behavioural competency framework.

The Council has Argyll and Bute Manager and Leadership Programmes, which ensure that all employees who have management responsibilities are knowledgeable and effective in delivering services within the priority management policies and procedures of the Council, including finance, performance and people management. The Leadership Programme ensures that senior and aspiring leaders in the organisation have support to develop their leadership behaviours and to improve their overall impact and performance across the organisation.

6. Managing risks and performance through robust internal control and strong public financial management.

Internal Financial Control

Our standing orders, financial instructions, scheme of delegation and supporting procedure notes/manuals clearly define how decisions are taken and the processes and controls in place to manage risks. These are reviewed and updated on an annual basis. We ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Council’s Monitoring Officer advises on compliance with our policy framework, ensuring that decision making is lawful and fair. Furthermore the Council has a designated Data Protection Officer and all services have Information Asset Registers along with appropriate guidance on how data should be managed.

Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Financial Officer and we ensure that our independent Audit and Scrutiny Committee undertakes the core functions identified in CIPFA’s Audit Committees – Practical Guidance for Local Authorities.

The Council has a proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively. It is based upon the national counter fraud standard CIPFA’s Code of Practice on ‘Managing the Risk of Fraud and Corruption’.

The Council has a system of internal financial control designed to manage risk to a reasonable level. It is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability.

Development and maintenance of the system is undertaken by officers within the Council and the named bodies mentioned below.

<u>Internal Financial Controls and Prevention</u>	<u>Are these in Place?</u>
Comprehensive budget systems	

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Financial and budget monitoring systems	<input checked="" type="checkbox"/>
Financial and Performance reporting systems	<input checked="" type="checkbox"/>
Clearly defined Capital Expenditure guidelines	<input checked="" type="checkbox"/>
Project Management processes and disciplines	<input checked="" type="checkbox"/>
An effective Internal Audit Section	<input checked="" type="checkbox"/>
An effective Counter Fraud Team	<input checked="" type="checkbox"/>

Internal controls cannot eliminate risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

This annual review also covers the other bodies whose activities are incorporated into our Group Accounts and reliance is placed on the formal audit opinion contained in the financial statements of each individual body.

- Dunbartonshire and Argyll and Bute Valuation Board
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee
- Live Argyll
- Argyll and Bute Integration Joint Board

The Council's risk management processes are well developed. In particular the:

- Strategic Risk Register is updated twice a year and approved by the SMT
- Chief Executive presents the Strategic Risk Register to the Audit and Scrutiny Committee on an annual basis
- Operational Risk Registers are updated quarterly by departmental management teams.
- Internal Audit will perform an audit of compliance with risk management arrangements every three years.
- The CIA performs an annual strategic risk assurance mapping exercise.

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

Internal Audit

The Council and its Group bodies have internal audit functions, which operate to Public Sector Internal Audit Standards. The work of internal audit is informed by an analysis of the risk to which the Council and its Group bodies are exposed, with annual internal audit plans prepared based on that analysis. The Council's Audit and Scrutiny Committee endorses the preparation methodology and annual internal audit plan and monitors the performance of Internal Audit in completing the plan. In addition, the Council has developed a hybrid meeting facility enabling physical and virtual attendance at meetings with a public broadcast function so that members of the public can see and hear meetings of the Council's strategic committees live increasing openness and transparency.

The Chief Internal Auditor (CIA) provides the Audit and Scrutiny Committee with an annual report on internal audit activity in the Council and an opinion of the assurance can be taken regarding the systems of governance and internal control and whether they are operating

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effectively. This is an independent and objective opinion of the CIA based on work carried out in conformance with the Public Sector Internal Audit Standards to fulfil statutory Internal Audit provision.

Internal audit provides members and management of the Council with independent assurance on risk management, internal control and corporate governance processes. External audit has, and continues to, use the work of internal audit.

The Annual Accounts and Report sets out the financial position in accordance with relevant accounting regulations.

Review of the Adequacy of Effectiveness of the Council's Governance Framework

Work to deliver Argyll and Bute's Covid Recovery Strategy and Action plan continued in 2022/23 with the same governance arrangements. Full details of the action plan is detailed in the document

"Recovery, Renew and Restart", which was approved by Councils Economic, Development and Infrastructure Committee. The Council has appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is adequate and effective in practice. The legislative framework of local government defines a number of posts which are primary to the Council's governance arrangements. These include the Chief Executive, Pippa Milne fulfilling the role of Head of Paid Service. As Monitoring Officer, the Executive Director Douglas Hendry:

- oversees the implementation of the Code and monitoring its operation
- reports annually to the Council on compliance with the Code and any changes required to maintain it and ensure its effectiveness.

Specific responsibilities are assigned to the Executive Director Kirsty Flanagan as the Council's Chief Financial Officer (S95 Officer), to ensure that public funds are properly accounted for. In recognition of the significant role that the Chief Financial Officer has in relation to financial performance and the financial control environment, CIPFA has set out key principles that define the core activities and behaviours that belong to the role. These include, being a key member of the Leadership Team, being actively involved in and influencing decision making, and leading the delivery of good financial management across the whole organisation. The Council have appointed a Data Protection Officer in line with the requirements of the UK-General Data Protection Regulations and the Data Protection Act 2018.

Covid Recovery Progress report 2022/23

The Argyll and Bute Overarching Recovery Group (formed to lead this process with specific thematic groups focused on Council recovery, building back stronger communities, economic and social recovery, infrastructure and transportation, financial management and public health) continues to meet on a reduced frequency, reporting to the Executive Management Team and appropriate Committees. A number of the actions and priorities have been mainstreamed into operational service delivery, and the critical thematic groups which remain in place are building back stronger communities and economic and social recovery. These have been impacted by the cost of living crisis, higher fuel costs and other factors. Good progress has been made in delivering the Recovery document "Recovery, Renew and Restart" and a progress report will be prepared for consideration by the appropriate Committee late 2023.

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FINANCIAL SUSTAINABILITY

It is anticipated the Scottish public sector will continue to face a very challenging short and medium term financial outlook with uncertainty over the level of Scottish Government funding. The one year financial settlements do not provide any degree of medium term certainty and ring-fencing of monies and additional policy commitments which are not always fully funded limit financial flexibility and create additional financial pressures.

The financial outlook continues to be impacted by the COVID-19 pandemic along with the UK exit from the European Union, the Russian invasion of Ukraine and actions on Russian owned entities which have resulted in significant price increases as well as disruptions to the supply chain and longer lead in times. These all have resulted in significant levels of inflation over the last year impacting on the prices of goods and services.

The Council continues to provide financial estimates for future years with their medium term financial outlook covering a five year window to provide a longer term view of the Council's estimated budget gap. Preparing any forward looking financial outlook is challenging due to the levels of uncertainty however the assumptions are reviewed regularly and updated with the outlook prepared to reflect a best case, worst case and mid-range scenario.

The Council has a strong track record in financial management as recognised by previous year's annual external audit reports and the Council's Best Value report issued in May 2020. The Best Value report also recognises that the Council's medium to long term financial strategy helps support financial planning arrangements. In addition to providing revenue and capital projections the Strategy also sets out the position in relation to the Council's general fund reserve, the approach to managing the financial impact of inflationary pressures, approach to Treasury Management and the strategy to address budget gaps.

HEALTH AND SOCIAL CARE INTEGRATION

The Argyll and Bute IJB has been established as a separate legal entity from either Argyll and Bute Council and NHS Highland, with a separate board of governance. The IJB comprises eight voting members with four Elected Members nominated by Argyll and Bute Council and four Board members of NHS Highland. In addition there are a number of non-voting appointees representing other sectors and stakeholder groups, such as the Third Sector, Independent Sector, Patients and Service Users, Carers and Staff.

The arrangements for the operation, remit and governance of the IJB are set out in the Argyll and Bute Integration Scheme which has been prepared and approved by Argyll and Bute Council and NHS Highland. The IJB, via a process of delegation from the Health Board and Local Authority as outlined in the Scheme of Integration has responsibility for the planning, resourcing and operational delivery of all integrated health and social care services within Argyll and Bute.

The Council places reliance on the IJB's framework of internal controls and similarly the IJB places reliance on the procedures, policies and operational systems of the Council and the Health Board. The IJB operates within an established procedural framework. The roles and responsibilities of board members and officers are defined within Standing Orders, the Integration Scheme, Financial Regulations and Standing Financial Instructions.

The IJB has proportionate internal audit arrangements in place to provide independent assurance on risk management, corporate governance and the system of internal control. A risk based internal audit plan was carried out in 2022-23 and the IJB's internal auditor has issued a formal annual report providing their independent opinion on the effectiveness of the IJB's risk management, internal control and governance processes. The overall conclusion of

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the Internal Auditor is to provide a satisfactory level of assurance on the adequacy of internal controls and governance arrangements within the IJB.

During 2022-23 the IJB has progressed a number of initiatives to develop its governance arrangements including improving the use of Directions, the completion of the new Joint Strategic plan and Workforce Strategy. It has also focused upon re-mobilising services following the pandemic, progressing its service transformation program and upon strategic development. It has focused on taking action to manage strategic risks during the year, particularly in relation to care home and care at home services.

The financial position of the HSCP has also continued to improve. It repaid all of the debt it owed to the Council in 2021/22 and reported a significant underspend in 2022/23. The operating environment going forward does however remain challenging. The IJB approved a balanced budget for 2023/24 which initially indicated that additional funding from NHS Highland may be required during the year. This is now unlikely in the context of the confirmed underspend in 2022/23. That said, there remains a number of financial risks and challenges to deliver services within budget resource and to deliver the agreed savings.

UPDATE ON AREAS FOR DEVELOPMENT IDENTIFIED IN PREVIOUS ANNUAL GOVERNANCE STATEMENTS

Previous Annual Governance Statement identified a number of areas for further development. A summary update for each area is provided in the table below.

Area	2022/23 Update
<p>Continue to engage with the Scottish Government and other local authorities to determine the most efficient and effective way of ensuring the Council can provide a waste solution which complied with the 2025 Bio-degradable Municipal Waste Ban</p>	<p>Specialist economic consultants now engaged on an options appraisal exercise to help inform the decision. This is to be reported to September's Economic Development & Infrastructure committee.</p> <p>Update: The options appraisal completed and presented to EDI Committee in December 2022. The Council has formally written to the Scottish Government to request a time limited derogation in the Waste PPP area to September 2026 for the municipal solid waste landfill ban which is due to be implemented on 1 January 2026. The Council has commenced contract discussions with our Waste PPP Contractor regarding landfill ban compliance from 1 January 2026 should the time limited derogation not be granted.</p>
<p>Enhance reporting of workforce planning to the Strategic Management Team and Elected Members</p>	<p>ELT have agreed the new draft People Strategy, which will include our workforce planning strategy. This is in the process of being finalised for P&R Committee. Quarterly Health of the Organisation Reports are presented to DMTs, which include information on Workforce Planning - age profile, turnover, vacancies and attendance. A risk based Workforce Planning Matrix is used to prioritise actions and support. This is developed from detailed meetings with managers and presented in a strategic report to SMT. Elected members' new priorities for performance reporting to strategic committees does not include workforce planning, but updates are provided to the Policy Lead regularly on key issues such as recruitment and retention.</p>

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<p>Continue to improve quality and accuracy of asset information which will benefit asset valuations, calculations for utilities costs and asset management</p>	<p>Contract let and work underway to gather updated asset information for major buildings – new plans being drawn. Estates has continued to improve records with the property measurement contract providing new plans for properties. As part of the asset valuation process Estates are also building up property records and will use the details for the insurance valuation updates to be completed in 2022/23.</p> <p>Update: Valuations for Education properties completed in 22/23. This will be continued for general properties in 2023/24 and will also be beneficial for other projects where floorplans are required at short notice.</p>
<p>Adopt the CIPFA Financial Management Code</p>	<p>This action has been delayed due to resource issues and will be addressed during 2022/23 Completed in February 2023</p>

ISSUES FOR FURTHER DEVELOPMENT

The review of governance and internal control has identified the following areas for consideration during 2023/24, particularly in the context of continuous improvement within the Council:

- Continue to engage with the Scottish Government, other local authorities and our Waste PPP contractor to determine the most efficient and effective way of ensuring the Council can provide a waste solution which complies with the 2025 Bio-degradable Municipal Waste Ban (Head of Roads and Infrastructure Services – March 2024)
- Further enhance reporting of workforce planning to the Strategic Management Team (Head of Customer Support Services – March 2024)
- Continue to Improve quality and accuracy of asset information which will benefit asset valuations, calculations for utilities costs and asset management (Head of Commercial Services – March 2024)
- Develop data/analytics business intelligence tool (Head of Customer Support Services – March 2024)
- Complete review of performance management (Head of Customer Support Services – March 2024)
- Complete the External Quality Assessment Framework (Head of Financial Services – March 2024)

CONCLUSION

The conclusion from the review activity outlined above and our opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of Argyll and Bute Council's systems of internal control and governance. Although areas for further improvement have been identified, the annual review demonstrates sufficient evidence that the Council's Local Code of Corporate Governance is operating effectively and that the Council complies with that Local Code in all significant respects. Systems are in place to regularly review and improve governance and systems of internal control.