

## **BACKGROUND / SCOPE OF RESPONSIBILITY**

The governance framework includes the systems, processes and culture by which the Council is controlled, and engages with its communities. It allows the Council to monitor the achievement of its strategic objectives. Argyll and Bute 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 in 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, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework Note for Scottish Authorities – Delivering Good Governance in Local Government (2007). This Statement explains how Argyll & Bute Council has complied with the standard and meets the requirements of current good practice.

A copy of the Code may be obtained from the Head of Governance and Law, Kilmory, Lochgilphead, PA31 8RT and is also available on the Council's website.

## **THE GOVERNANCE FRAMEWORK**

The Code of Corporate Governance details how the Council will demonstrate compliance with the fundamental principles of Corporate Governance for public sector bodies. The six key principles of our governance arrangements in 2016-17 are described in the Code, along with our supporting principles and key aspects of our arrangements to ensure compliance. Key features of our arrangements are summarised below.

### **1. Focusing on the purpose of the Council and on outcomes for the community, and creating and implementing a vision for the local area**

Our Corporate Plan 2015-17 sets out our mission "To make Argyll and Bute a place people choose to live, learn, work and do business". The Corporate Plan supports the Local Outcome Improvement Plan and Delivery Plan. The focus of the priorities is to ensure that more jobs and more people are attracted into Argyll & Bute and progress against outcomes and targets is monitored on a regular basis by the Community Planning Partnership.

We have a Planning and Performance Management Framework (PPMF) that ensures performance is integral to the work of the Council. The PPMF details the structure and process for performance management at all levels. Plans specify the outcomes to be achieved aligned to success measures, as well as risks to be reduced. During the year the PPMF was reviewed and following Council approval was updated to the Performance Improvement Framework (PIF) with an enhanced focus on strategic outcomes to support improved scrutiny by elected members.

Councillors and senior managers review and scrutinise the Council's performance at all levels to ensure our services are having the desired impact on our communities and customers. At a strategic level performance is scrutinised through our Strategic Committees and more locally at our Area committees. The Performance Review and Scrutiny Committee, which meets four times a year has a key role in reviewing and scrutinising how we are meeting our strategic objectives. The new Council has agreed in May 2017 to develop an Audit and Scrutiny Committee as part of its review of political management arrangements.

## **2. Members and officers working together to achieve a common purpose with clearly defined functions and roles**

We updated our constitution in June 2016 to define the roles and responsibilities of the administration, committees, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication. The new Council has considered a report from the SLWG on Political Management arrangements and will require to make decisions as to how they will undertake their business as Councillors and adjustments will then be made to the Council constitution to give effect to any changes required.

The constitution includes collective and individual roles and responsibilities of the Leader, Provost, Policy Lead Councillors, other councillors and officers. It also includes a protocol for the role of the Monitoring Officer (the Executive Director for Customer Services).

New auditing arrangements are in place for best value, ie, a new approach to auditing Best Value was agreed in June 2016 whereby Best Value will now be assessed over the five year audit appointment, as part of the annual audit work. A Best Value Assurance Report (BVAR) for each Council will be considered by the Accounts Commission at least once during this five year period. The BVAR report for Argyll and Bute is not planned in the period covered by this scrutiny plan.

## **3. Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

We have four values, which underpin what we do and how we do it:

- we involve and listen to our customers and communities
- we take pride in delivering best value services
- we are open, honest, fair and inclusive
- we respect and value everyone

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 Councillor's Code of Conduct is set out at a national level, applying to all members in Scottish local authorities. A register of members interests is being developed for inclusion on the Council's website.

The code of conduct and protocols are supported by training and development programmes for elected members by offering PRD plans and on the basis of these we construct training and development programs and seminars.

#### **4. Taking informed and transparent decisions which are subject to effective scrutiny, and managing risk; ensuring effective counter fraud and anti-corruption arrangements are developed and maintained**

We review and update our standing orders, standing financial instructions, scheme of delegation and supporting procedure notes/manuals - these clearly define how decisions are taken and the processes and controls in place to manage risks. We ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Monitoring Officer advises on compliance with our policy framework, ensuring that decision making is lawful and fair.

Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Financial Officer and we ensure that our independent Audit Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities. Both the Audit Committee and the Performance Review and Scrutiny Committee receive regular reports on the risk management framework. The Performance Review and Scrutiny Committee are developing a handbook on the framework for undertaking scrutiny and have outlined a scrutiny timetable.

The anti-fraud strategy ensures that there are effective arrangements for whistleblowing and for receiving and investigating complaints from the public and partners.

The Counter Fraud Investigation Team is the single point of contact for the DWP regarding Housing Benefit cases. It is responsible for fraud investigation relating to Council Tax discounts and exemptions and the overall Council Tax reduction scheme and assists internal audit in broader counter fraud activities.

#### **5. Developing the capacity and capability of members and officers to be effective**

##### Elected Member Development

We have signed up to the Improvement Service's Continuing Professional Development Framework for elected members. The majority of elected members now have personal development plans in place and dedicated days are set aside for member training and seminars on key issues. Following the election in May, all Members of the new Council were offered and provided with a full induction programme.

The Audit Committee and Performance Review and Scrutiny Committees each held development days in 2016-17, and have agreed workplans for improvement. The Audit Committee self-assessed its effectiveness, and identified key actions which were taken forward during 2016-17, including the development of protocols for co-ordination of work with the PRS Committee, and the development of a materiality matrix.

## Officer Development

The council supports officer development through a structured approach, driven by the values set out in the Corporate Plan, supported by a behavioural competency framework and underpinned by a systematic approach to identifying core and mandatory training requirements in all council job descriptions.

The Council has Argyll and Bute Manager and Leadership Programmes, which ensures 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.

The council is committed to delivering a programme of annual Performance Review and Development, which in turn informs the Corporate Training Programme that is delivered annually.

## **6. Engaging with local people and other stakeholders to ensure robust public accountability.**

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

### Annual Budget Consultation

The Council undertakes a wide ranging budget consultation exercise each year, using a range of channels including written, face to face, online, Community Councils and through partner organisations and community groups in the Community Planning Partnership. The results of the consultation are then used to inform the members' budget decision making process and are reported to the Council as part of the budget reports pack.

### Consultation Diary

The Council has developed a consultation section on its website which hosts all consultations run by the council, both current and historic. This includes a section which makes public the results and/or outcome of the consultation and the resultant decisions that have been taken, showing how they have been informed by the consultation process.

### Public Performance Reporting

The council makes all performance information available to the public on the Performance pages of the website. This includes information on performance scorecards, budgets and other service related information. This ensures that the council is openly accountable to the public for its performance against agreed policies and standards.

## Community Engagement

The Council supports good community engagement with the resourcing of Community Development Officers in Community Services and the work of the Youth Forum staff in Youth Services. Both teams have resources and expertise to support children and young people, hard to reach groups and remote communities to have a voice in local service planning, delivery and evaluation, as well as best community engagement practice for any other requirement.

Local Community Development Officers have also been supporting community groups, organisations and individuals, particularly those who do not traditionally engage in community issues, to participate in local area community planning groups.

The Area Governance section of the Council supports community engagement by providing the staff resource to support four Area Community Planning Groups which act as a forum to enable local groups and organisations to participate in community planning at a local area level throughout Argyll & Bute.

It also supports community engagement at grass roots level by providing support to local partnerships which feed into the activities of the Area Community Planning Groups and by resourcing Community Council Liaison activities, including a training programme, which helps to build the capacity of Community Councils.

The Council produced a Community-Led Action Planning Toolkit in partnership with Scottish Community Development Centre (SCDC). Communities are being supported to consider use of the online toolkit in developing action plans that the community can lead on to address issues and needs in their communities. There are a number of existing community-led action plans and these are recognised as important community contributions to Area Community Planning.

A strong Community Planning Partnership (CPP) is in place with each partner assuming a lead role for one of the outcomes. This enhances the shared sense of accountability and ownership of working towards realising the priorities of the CPP.

## 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. When this is the case papers are adjusted to ensure that the maximum amount of content is in the public domain.

## GOVERNANCE ROLES AND RESPONSIBILITIES

Argyll and Bute Council has put in place 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 governance arrangements in the Council. These include the Chief Executive, fulfilling the role of Head of Paid Service. As Monitoring Officer, the Executive Director of Customer Services has responsibility for:

- Overseeing the implementation of the Code of Corporate Governance and monitoring its operation; and
- Reporting annually to the Council on compliance with the Code and any changes required to maintain it and ensure its effectiveness.

Account has been taken of the results of reviews of internal control that have been carried out within each Council Service.

Specific responsibilities are assigned to the Head of Strategic Finance, as Chief Finance Officer, to ensure that public funds are properly accounted for. In recognition of the significant role that the Chief Finance 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.

#### AUDIT SCOTLAND FOLLOW-UP AUDIT

In December 2015, the Accounts Commission published their findings on the Controller of Audit's Statutory Report on the Council with regards to Best Value and focused on the Council's;

- Political management arrangements.
- Scrutiny
- Roles and relationships, including between members and officers

In January 2016, the Council considered these findings and agreed to the development of an Improvement Plan. A further report was submitted to the Council on 20 April 2017 in relation to the following themes;

1. Establish a more open and transparent culture and style of working
2. Standards
3. Taking a more innovative approach to dealing with financial challenges
4. Community engagement
5. Local empowerment
6. Accessible training and development for elected members

The Council noted the progress made and agreed that the outstanding action in relation to local empowerment would be monitored via the Community Empowerment Action Group. In addition, the Council noted that further updates should come forward in due course including in relation to the budget process review (2016) as per the recommendations of the Accounts Commission.

#### FINANCIAL SUSTAINABILITY

Creating a financial outlook is challenging, as a number of assumptions need to be made anticipating changes. The Council accepts the current financial climate we are in. The Council is in a period of one year settlements which doesn't give us any degree of certainty into the medium term. The ring fencing of monies limits

what we can do and additional policy and legislative implications, not always fully funded puts financial pressures on Councils.

During 2015, the Council developed a number of service choices savings options that went out to public consultation prior to being considered by Members as part of setting the budget for 2016-17. Some of the savings were deliverable in 2016-17 and some were from 2017-18 or beyond. This budget created a solid foundation to work from and for the 2017-18 budget most of the savings required to balance the budget had already been agreed as part of the service choices decisions in February 2016 and a series of management efficiency savings agreed in October 2016

The Council agreed, in February 2016, to establish the new flagship “Argyll, Lomond and the Islands Regeneration Initiative” which encompasses all existing and new strategies and plans relating to population and economic growth into a single and cohesive programme to ensure focus in supporting the Local Outcome Improvement Plan’s overarching vision to build the economy through a growing population. Three new investments were agreed, totalling £4.5m: Inward Investment Fund, Rural Resettlement Fund and the Lochgilphead and Tarbert Regeneration Fund. The Council also agreed to create an Asset Management and Investment fund of £2m with the purpose of generating income for the Council by seeking out investment opportunities that will provide the Council with a commercially advantageous financial return on investment.

The Council is committed to driving forward change through innovation. The Council has previously demonstrated that it is able to work in innovative ways in order to improve service delivery, make savings or generate income. A Transformation Board has now been established to take forward further transformation change. Their main focus is constructing a coherent approach to the medium/long term transformation of the Council which includes the development of a budget strategy delivering improved service efficiency and to help balance the budget in 2018-19 and beyond. The Board are looking at digital transformation, overseeing the catering and cleaning innovation project and exploring investment opportunities in addition to leading on an approach to balancing the budget over the medium term which challenges services to look for different ways to deliver their service, using four approaches – business cost reduction, service re-design, income generation and maximisation and self-financing.

The Council has recognised the need to develop a medium to longer term financial strategy. The purpose of the medium to longer term financial strategy will be to set out in a plan to demonstrate how the council will respond to the demands and pressures whilst ensuring that there is a sustainable council that meets the needs of its communities and one that can take advantage of opportunities that arise. The medium to longer term financial strategy will be underpinned by a set of principles that support the longer term financial sustainability of the council. These principles are summarised as follows and were agreed by Council in February 2017. The financial strategy will be developed during 2017.

- Resources aligned with the Local Outcome Improvement Plan (LOIP)
- Direct provision versus commissioned services (make or buy)

- Digital transformation
- Shared Services
- Commercial activities (via trading accounts)
- Arm's Length External Organisations (ALEOs)
- Commercial sponsorship
- Investment opportunities
- Volunteering for core services
- Fully centralised procurement
- Engaging Trade Unions in full partnership
- Shared and improved asset utilisation
- Management structure
- Work patterns and shift arrangements.

#### INTERNAL FINANCIAL CONTROL

The system of internal financial control 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.

In particular the system includes:

- Comprehensive budgeting systems
- Regular reviews by the Council and the named bodies (mentioned below) of periodic and annual financial reports which indicate financial performance against forecast;
- Setting targets to measure financial and other performance;
- The preparation of regular financial reports which indicate actual expenditure against forecast;
- Clearly defined capital expenditure guidelines;
- Project management disciplines;
- Guidance relating to financial processes, procedures and regulations; and
- An effective Internal Audit Section

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

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

## RISK MANAGEMENT

The Council's Risk Management and Business Continuity Strategies are well developed. The Chief Executive submits an annual report on Audit and Risk Management to the Audit Committee. The Strategic risk register is currently subject to review in respect of content and format. A well-developed preparation methodology remains in place.

SMT will continue to review risks on a regular basis and ensure that active mitigations are in place.

Operational Risk Registers are reviewed on a regular basis and updated where required to inform performance scorecards. Results from the annual CIPFA benchmarking exercise demonstrated that we maintained an overall Embedded and Integrated rating.

During 2016-17, the Audit Committee considered an updated assurance map, which highlighted the Council's key risks, and the source and level of assurance that the

Council receives on those risks, based on the three lines of defence model. Internal audit plans for 2017-18, where appropriate take cognisance of the areas where additional assurance is required.

A Risk Management Strategy has been developed by Argyll and Bute Health and Social Care Partnership. Further work is required in respect of shared risk arrangement.

## INTERNAL AUDIT

Argyll and Bute Council and its Group bodies have internal audit functions, which operate to Public Sector Internal Audit Standards (PSIAS). 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 Committee endorses the preparation methodology and annual internal audit plans and monitor the performance of Internal Audit in completing the plan.

The Chief Internal Auditor provides the Audit Committee with an annual report on internal audit activity in the Council and this states substantial assurance can be taken that the systems of governance and internal control are operating effectively

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 place reliance on the work of internal audit. The Chairman and Vice Chairman are independent lay members of the Audit Committee.

## HEALTH AND SOCIAL CARE INTEGRATION

The Argyll and Bute Integration Joint Board has been established as a separate legal entity from either Argyll and Bute Council and NHS Highland, with a separate board of governance. The Integration Joint Board 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 Integration Joint Board are set out in the Integration Scheme. The Integration Scheme also outlines the scope and functions of services that are delegated, the clinical and care governance, financial and operational management arrangements.

From 1 April 2016 the Integration Joint Board, via a process of delegation from the Council and Health Board has responsibility and its Chief Officer has responsibility from 1 April 2016 for the planning, resourcing and operational delivery of all integrated health and social care services within Argyll and Bute. The overarching strategic vision, mission and values of the Integration Joint Board are set out in the Strategic Plan and Strategic Objectives are aligned to deliver on the National Outcomes for Adults, Older People and Children.

The Council places reliance on the internal controls in place for the operation of the Integration Joint Board and similarly the IJB places reliance on the procedures, processes, policies and operational systems of Argyll and Bute Council and NHS Highland. The Integration Joint Board 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 Integration Joint Board 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 audit plan was carried out in 2016-17 and the internal audit report for the year concluded that the Integration Joint Board has a framework of controls in place that provides reasonable assurance over the effective and efficient achievement of the organisation's objectives and the management of key risks, governance, processes and the overall control environment.

Progress has been made in the first year of the operation of the Integration Joint Board to ensure appropriate governance and information sharing arrangements are in place, further improvement and development of governance arrangements is ongoing to safeguard the future success of the partnership.

## ISSUES FOR FURTHER DEVELOPMENT

The review of governance and internal control has identified the following areas for consideration during 2017-18, particularly in the context of continuous improvement within the Council:

- During 2016-17 the Council received 1340 requests for information of which 1264 (94.33% increased from 93% for 15-16) were responded to within the required timescale. The Council received 39 requests for review (2.9% reduced from 3.5% for 15-16).
- The development of a medium to longer term financial strategy
- The Strategic Risk Register is subject to continuing review
- Internal Audit presented 4 out of 30 reports with a limited level of assurance during the year. Management have accepted 100% of recommendations and have a robust follow-up system to track actions arising ensuring timely implementation through the SMT meeting programme.
- Development of delivery plans for the Local Outcome Improvement Plan and ensuring these reflect Council priorities.
- Review and develop the current monitoring and reporting arrangements in respect of the Health and Social Care Partnership
- Ensuring effective engagement with scrutiny bodies who engage with the Council. The Local Scrutiny Plan (LSP) sets out the planned scrutiny activity in Argyll and Bute Council during financial year 2017/18 and is based on a shared risk assessment undertaken by a Local Area Network (LAN).
- The LSP notes the recent Strategic inspection of the Council's education functions which identified areas of strength as well as areas which require improvement. We will work with Education Scotland who will provide support and monitor progress towards improvement on the agreed actions.
- Ensuring that we have a sustainable budget for the future and that reduced budget/resources are aligned to support council priorities and delivery of the Local Outcome Improvement Plan. Whilst we have delivered a number of transformation savings already, we hope this area of work will deliver savings from 2017-18 onwards.
- Ongoing development of performance management and improving performance scrutiny.
- Strategic workforce planning is a key element of the medium to longer term financial strategy and work has commenced on this theme with a

view to ensuring that the Council has a workforce that can support the organisation in the future to meet its medium to longer term financial challenges. It is envisaged that this element of the strategy will be considered by Members in the Autumn.

- Further development of risk management to ensure that it remains embedded within council business.
- Training community groups on the Community-Led Action Planning Toolkit and ensuring that the development of Community-Led Action Plans feed into Area Community Planning Groups.
- Ensuring the internal audit function is fully resourced and work is planned to ensure the 2017-18 audit plan is delivered and that further improvements in the development of internal audit are achieved.
- Ensure good governance and scrutiny arrangements are further developed and maintained in respect of the Health and Social Care Partnership.
- The actions being taken by the Council continue to improve political management arrangements and governance within the Council. The new Council has considered a report from the SLWG on Political Management arrangements and will require to make decisions as to how they will undertake their business as Councillors and adjustments will then be made to the Council constitution to give effect to any changes required.
- Implement new legislation as it applies to and affects the provision of Council Services.
- Further enhance and improve the tone of our correspondence to further develop a climate of openness with our customers.

## ASSURANCE

The annual review of the effectiveness of the system of governance and internal financial control is informed by:

- The work of officers within the Council;
- The work of Internal Audit as described above;
- The work of External Audit;
- The Statements of Governance and/or Internal Control provided by the bodies incorporated into our Group Accounts;
- External review and inspection reports; and
- Recommendations from the Audit Committee.

It is the Council's view that the systems for governance and internal control are operating effectively within Argyll and Bute Council and the aforementioned bodies during 2016-17 and that there are no significant weaknesses. This

assurance is limited, however, to the work undertaken during the year and the evidence available at the time of preparing this statement.

Cllr Aileen Morton  
Leader

Cleland Sneddon  
Chief Executive

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Head of Strategic Finance