
BACKGROUND / SCOPE OF RESPONSIBILITY

The governance framework includes the systems, processes and culture by which the Council is controlled and engages with communities and allows the Council to monitor 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, 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 the 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, Argyll and Bute Council, 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 2017/18 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 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.

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 Audit and Scrutiny Committee, which meets four times a year, has a key role in reviewing and scrutinising how we are meeting our strategic objectives as well as promoting good internal control, financial and risk management, governance and performance management, in order to provide reasonable assurance of effective and efficient operation, and compliance with laws and regulations, including the Council's Financial and Security Regulations, Contract Standing Orders and accounting codes of practice.

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

We updated our constitution in April 2018 to define the roles and responsibilities of the administration, committees, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.

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).

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 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 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 and Scrutiny Committee

undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities. The Audit and Scrutiny Committee receive an annual risk management overview report and have developed a Scrutiny Framework and Manual to support the performance of scrutiny reviews which will be rolled out in 2018/19.

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

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. We are in contact with all elected members about progressing and maintaining their personal development plans and work on this continues apace to ensure that their training needs and aspirations are quickly identified and solutions provided where possible. This work complements the elected member seminar programme which is in place for 2018/19 and which also picks up, where possible, any particular training needs highlighted through the PDP process. Following the election in May, all Members of the new Council were provided with a full induction programme.

The Audit and Scrutiny Committee held a development day in 2017/18 focusing primarily on the development of scrutiny but also to introduce new members of the Committee to some of the fundamental principles of internal audit and risk management.

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 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 the Community Planning and Community Development Service 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 three 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. The fourth (Helensburgh and Lomond) is supported by Scottish Fire and Rescue on a partnership basis as agreed by the management committee.

It also supports community engagement 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 partners leading each 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

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 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
- 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 Financial 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.

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 provide 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.

Furthermore progress with Brexit negotiations are ongoing but uncertainty still remains as to what the economic implications are.

In 2017/18 the Council developed a medium to longer term financial strategy designed to ensure the Council addresses the challenges it faces effectively. It covers the period 2018/19 to 2020/21 in detail and provides high level estimates for the period 2021 to 2028. The principal objectives of the financial strategy are:

- Outline Argyll and Bute Council's high level financial position over the years 2018-2028 based on a range of assumptions.
- Highlight the key issues that have been considered in developing the strategy.
- Ensure that available resources are focused on delivery of the Council's key priorities.
- Plan for a sustainable revenue budget and capital investment programme which will support the Council's key priorities.

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- Ensure that the Council is fully aware of the financial challenges and uncertainties that it faces and is in a strong position to continue to deliver the best possible quality and range of services within available resources.
 - Increase the wider community's understanding of the Council's financial position and the challenges it is facing over the next ten years in balancing its budget.

The Council's Transformation Board has, to date, focused on identifying savings across front line delivery services based on four operating principles of business cost reduction, income maximisation, service redesign and self-funding. The Transformation Board are continuing their transformation journey and in February 2018, as part of the budget pack, reported on their transformation activities for 2018/19 and beyond including a comprehensive root and branch review of the delivery of services to inform the future shape of the Council for 2019/20 and beyond.

INTERNAL FINANCIAL CONTROL

The Council has put in place 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.

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.

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

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- Live Argyll
 - Argyll and Bute Integration Joint Board

RISK MANAGEMENT

The Council's Risk Management processes are well developed. In particular the:

- Head of Strategic Finance submits an annual risk management overview report to the Audit and Scrutiny Committee.
- Strategic Risk Register is updated twice a year and approved by the strategic management team (SMT).
- Operational Risk Registers are updated quarterly by departmental management teams.

The Council's risk management manual and risk registers were refined in early 2018 and further improvements to the risk management process were agreed by the SMT. Key improvements were:

- risks are no longer categorised as 'supply' or 'demand'
- risks are aligned to the service plan challenges
- key actions, with timescales, for risks to be 'treated' are documented
- all red risks identified in operational risk registers are escalated to the SMT for consideration

Internal Audit will perform an audit of risk management in 2018/19 to provide assurances that the revised processes are operating effectively.

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 and Scrutiny Committee endorses the preparation methodology and annual internal audit plan and monitors the performance of Internal Audit in completing the plan.

The Chief Internal Auditor provides the Audit and Scrutiny 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 Chair of the Audit and Scrutiny Committee is an independent lay member.

During 2017/18, 1 of the 26 audit reports presented to the Audit & Scrutiny Committee had an overall audit opinion of 'limited' assurance. Management have accepted 100% of audit recommendations and a robust follow-up system is in place with progress reports presented to the SMT on a monthly basis.

During 2017/18 the following developments were made within internal audit:

- A new Chief Internal Auditor was appointed in October 2017.
- Introduction of new working practices, reporting templates and a revised internal audit charter and manual.

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- Introduction of team development days to ensure internal audit continues to develop the necessary skills and knowledge to carry out their role effectively.
 - Audit reports are presented to the Audit and Scrutiny Committee in their entirety, replacing the previous process to remove recommendations classified as 'low' priority.
 - Audit reports are presented to the SMT.
 - Introduction of a new Scrutiny Framework and Scrutiny Manual to provide governance over the roll out of scrutiny during 2018/19.

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, supported by the Chief Officer, 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. 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 2017/18 and the internal auditor for the IJB will issue a formal report for the year to assess the framework of controls in place to provide 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 is being made in the operation of the Integration Joint Board to ensure appropriate governance and information sharing arrangements are in place. 2017-18 was the second year of the Health and Social Care Partnership which has allowed arrangements to bed in and an opportunity for reflection and review of the effectiveness of arrangements.

UPDATE ON AREAS FOR DEVELOPMENT IN 2016/17 ANNUAL GOVERNANCE STATEMENT

The 2016/17 Annual Governance Statement identified a number of areas for further development. A summary update for each area is provided in the table below.

Area	2017/18 Update
Financial Strategy	A medium to long term financial strategy (2018/19 – 2027/28) was approved by the Policy and Resources Committee in October 2017. The strategy will be subject to annual review to reflect any changes to underlying assumptions.
Transformation Board	The Transformation Board focus of attention in 2017/18 was on identifying savings across front line delivery services based on four operating principles of business cost reduction, income maximisation, service redesign and self-funding. Some of the savings options identified were efficiency in nature and were reported to Council in October. Others were agreed by the Council in February 2018 to be delivered from 2018/19. The Transformation Board are continuing their transformation journey and in February 2018, as part of the budget pack, reported on their transformation activities for 2018/19 and beyond.
Strategic Workforce Planning	The Strategic Workforce Plan 2018-22 was approved by Council in April 2018. The plan aligns with the Council's Corporate Plan, Transformation Agenda and medium to long term financial strategy. The plan highlights the overall challenges facing the organisation in terms of workforce and identifies key risks in specific service areas for future workforce needs. The plan will be monitored through updates to the Policy and Resources Committee.
Strategic Risk Register and Risk Management Arrangements	The strategic risk register was reviewed and updated by the SMT and reported to the Policy and Resources Committee in August 2017. Risk management arrangements were updated in early 2018 as per the 'Risk Management' section of this Annual Governance Statement.
Health & Social Care Partnership	During the year the frequency of information reporting to the IJB has been reviewed including performance, staff and clinical governance information. In addition a new subcommittee to support the financial governance of the IJB was established. These areas will continue to be kept under review to ensure they meet the requirements of the partnership.
Education	In partnership with Education Scotland, the Education Service had a follow through inspection in September 2017 with the published report available in December 2017. The report indicated that the Education Service had made positive improvements across the five main action points. A return visit is planned for May 2018.
Community Engagement and Local Empowerment	Training has been completed and there is continued opportunity for matters relating to community led action plans to feature in Area Community Planning meetings.
Local Scrutiny Plan	The Council's 2018/19 Local Scrutiny Plan was reported to the Audit & Scrutiny Committee in June 2018. It confirms that the Local Area Network has not identified any additional risk areas for the Council where specific scrutiny is required.
Performance and Improvement	Since the approval of the PIF in 2017 there have been specific improvements implemented including alignment of quarterly reporting

Framework	templates with the Business Outcomes, further revision of the Business Outcomes to simplify them further and engagement with the Chair of the Audit and Scrutiny Committee which resulted in a new mechanism for presenting performance information to members and to enable more effective scrutiny.
Open and Transparent Culture	In 2018/19 internal audit will be carrying out an audit of organisational culture. This will include input from both Council Officers and Elected Members.
New Legislation	The SMT continues to review new legislation as a standing agenda item.
Political Management Arrangements	Council considered the report and introduced revised Political management arrangements adopting many but not all of the suggestions from the SLWG. The constitution has been through its annual review in April 2018 and some minor adjustments were made. The Council continues to proactively review its Constitution including its political management arrangements.

ISSUES FOR FURTHER DEVELOPMENT

The review of governance and internal control has identified the following areas for consideration during 2018/19, particularly in the context of continuous improvement within the Council:

- Implementation of the new approach to scrutiny with scrutiny reviews reported to the Audit and Scrutiny committee.
- Full implementation of the requirements of GDPR and the new Data Protection Act.
- Improving efficiency and accuracy in payroll processing through full roll out of electronic payslips, greater automation of payroll processing
- Establishing a control hub within Roads and Amenity Services with responsibility for programming, delivering and monitoring roads and amenity activities.
- Implementation of new capital monitoring processes and a revised capital prioritisation process.
- Extend equality impact assessments to include a socio-economic impact assessment to ensure that all major decisions taken by the Council have regard to the Fairer Scotland duty.
- The Council have requested a review of the Integration Scheme with a particular focus on risk sharing arrangements, this review will be carried out in partnership with NHS Highland.
- 2018-19 will be the last year of the current Strategic Planning period and the IJB are required to consult and engage on the next 3 year Strategic Plan, this will require to be agreed by Argyll and Bute Council and NHS Highland.

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
- statements of assurance provided by the Council's Chief Executive, Executive Directors and Heads of Service
- external review and inspection reports; and
- recommendations from the Audit and Scrutiny 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 2017/18 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.