

## BACKGROUND / 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 Framework Note for Scottish Authorities – Delivering Good Governance in Local Government (2007). This Statement explains how the Council has complied with the Code and meets the requirements of current good practice.

A copy of the Code may be obtained from the Head of Legal and Regulatory Services, Argyll and Bute Council, Kilmory, Lochgilphead, PA31 8RT and is also available on the Council's website.

## THE GOVERNANCE FRAMEWORK

The Code 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 2019/20 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. They also promote good internal control, financial and risk management, governance and performance management, in order to provide reasonable assurance over the effective and efficient operation of the Council, 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**

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 constitution is updated on an annual basis with the last update carried out in June 2019.

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 (BV) is assessed by the Council's external auditors over the five year audit appointment, as part of the annual audit work and, additionally, a Best Value Assurance Report (BVAR) for each Council will be considered by the Accounts Commission at least once during this five year period.

Audit Scotland completed their BV Audit of the Council in January 2020. The Accounts Commission then published the final report with their findings on 21st May 2020. The Commission welcomed the progress made by the Council since the last inspection in 2015, highlighting the significantly improved relationships amongst elected members and between members and officers, which provide a sound basis for tackling future challenges and the Council's sound approach to financial planning and budgeting which has allowed it to achieve financial balance in the short term.

As for all councils, the Accounts Commission also identified areas for the Council to focus its continued improvement upon such as improve how we manage and report performance and deliver more significant transformation and redesign of service, and engage staff fully in planning and implementing change; this work is expected to help provide the basis for an enhanced long-term financial plan.

The Accounts Commission will present the Report to Council at their June meeting and an associated Action Plan will also be considered at that meeting.

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

In June 2019 the Audit & Scrutiny Committee considered a report on Organisational Culture and 2019 Employee Survey Action Plan and as part of the associated Action Plan Elected Members agreed to a communication plan to continue the roll out of the new corporate values and raising awareness.

#### **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**

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.

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 have historically received an annual risk management overview report or risk management audit. In 2019/20 this was replaced by annual Strategic Risk Assurance Mapping report. They have also developed a Scrutiny Framework and Manual to support the performance of scrutiny reviews.

The anti-fraud strategy ensures 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

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 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.

The recent Best Value Report indicated that the Council provides a good level of training for members, with courses taking place throughout the year covering a range of topics relevant to their roles and linked to the council priorities and that there are arrangements in place to support members' continuing professional development.

It has however indicated that further action is required to ensure Elected Members are best placed to be able to respond to the demands, challenges and expectations of a modern elected member and that the training offered should be flexible and provide sufficient resources and support for members in rural areas to access and complete training. This will be addressed in the BV action plan and the development of a revised Elected Member Development Framework is underway.

Elected Members appointed by the Council to sit on external bodies also participate in a wide range of development activities organised directly by these organisations e.g. before each HSCP meeting there is a development session.

## 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. This is underpinned by a systematic approach to identifying core and mandatory training requirements in all council job descriptions and the annual Performance Review and Development (PRD) process.

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.

The Council is committed to delivering an annual PRD programme, which in turn informs the annual corporate training programme.

## **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 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 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.

### Keep in the Loop Service

2019/20 was the first full year that the pro-active Keep In the Loop Service was deployed. It proved hugely popular as a customer engagement tool and 7927 customers subscribed to receive notifications across the range of services. For customers it meant that they have been kept up to date with topical council information and opportunities to provide valued input on matters that affect them

### Public Performance Reporting

The Council's website makes all performance information available to the public within the performance section. 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 community learning officers (Youth Work and Adult Learning). 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.

The Council's Community Development Team can also assist community organisations with developing new projects, exploring income generation opportunities, identifying sources of funding and evaluation techniques.

Local community development officers also support community groups, organisations and individuals, particularly those who do not traditionally engage in community issues, to participate in local area community planning groups.

The Council's Area Governance section 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 and partnership working 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 undertakes an annual satisfaction survey with Community Councils.

The Council actively seeks to ensure that young people are engaged in Community Planning and has implemented the following initiatives:

- The 3 local Members of the Scottish Youth Parliament (MSYP's) attend the Community Planning Partnership Management Committee meetings on a rotational basis.
- The Area Community Planning Groups invite members of local Youth Forums to attend meetings when they are held in their local areas & information is passed on to young people by Youth Workers who are kept updated on any developments.
- The revised Scheme of Establishment for Community Councils outlines the requirement to encourage young people to attend and participate in community council meetings" and the age to become a Community Councillor was lowered to be 16 to encourage more young people to become involved.

The Council continues to promote the Community-Led Action Planning Toolkit (developed in partnership with Scottish Community Development Centre). 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.

The Community Planning Partnership undertook a Place Standard Engagement exercise to inform the next phase of Area Community Planning Action Plans to enable the community to shape the CPP priorities locally from 2021. This information has also been shared with communities to be used to develop community led action plans.

A strong Community Planning Partnership (CPP) is in place with partners leading on each of the outcomes. This ensures a shared sense of accountability and ownership of working towards realising the CPP priorities.

## 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 Council's governance arrangements. 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 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.

The Council have appointed a Data Protection Officer in line with the requirements of the General Data Protection Regulations (EU) 2016/679 and the Data Protection Act 2018 which came into force on 25 May 2018.

## **IMPACT OF COVID-19 ON GOVERNANCE**

This Annual Governance Statement assesses governance in place during 2019/20 so the majority of the year will be unaffected by the COVID-19 pandemic.

However COVID-19 did impact on governance during March 2020 and this statement needs to reflect on the pandemic's impact on the Council's governance up until the publication of the Council's annual accounts. COVID-19's impact on governance has been assessed against four broad categories:

### 1. Impact on business as usual in the delivery of services

In March 2020 the Council agreed a two pronged approach to decision making whilst the Council responded to COVID-19.

The Council's constitution gives specific delegations to the Chief Executive, in an emergency, to instruct executive action on any matter after consultation with the Leader or, in his/her absence, the Depute Leader of the Council. This provided a basis for taking any urgent decisions which were required in response to COVID-19. The Council agreed

that, for the life of the COVID-19 crisis, the consultation by the Chief Executive will be with the Leader, and Depute Leader and Leader of the Opposition Group. Decisions taken in consultation with this Leadership Group are logged and a formal report on all decisions taken will be submitted to a future meeting of the council. All Elected Members receive a daily bulletin to keep them apprised of the situation

In addition to the emergency actions which can be taken by virtue of the emergency powers set out in the preceding paragraph, it was also necessary, given that it was not possible in the short/medium term to transact business through meetings of the Council and Committees, including Area Committees, to put arrangements in place to allow this to happen. The Council agreed to the constitution of a temporary committee, known as The Business Continuity Committee which exercises all of the powers of the Council for a finite period of time.

Some specific areas where service delivery has been impacted are:

- restrictions on travel and social distancing requirements impacted on the ability of planning officers to visit application sites and enforcement complaints
- air services converted to essential travel only or cargo to the islands from Oban Airport
- a wide range of services within Roads and Infrastructure Services were suspended including all roadworks except emergency repairs, parking enforcement, access to play parks, civic amenity sites, commercial waste collection and collection of recycling waste and glass which was replaced by the introduction of a new two weekly bin collection service
- Catering and Cleaning functions significantly disrupted due to initial increased demands for cleaning (deep clean of schools where COVID suspected) then lockdown of majority of Council properties.
- school closures means learning and teaching delivery is being delivered across Argyll and Bute by distance learning and all secondary establishments are working on the estimates for National 5, Higher and Advanced Higher assessments.

### 2. New areas of activity as part of the national response to COVID-19 and any governance issues arising

The Council worked in partnership with community planning partners and other agencies as part of an urgent, multi-agency response to respond to COVID-19. The response was wide ranging and included arrangements to support vulnerable people, support learning at home, maintaining education provision for children of key workers, the launch of a dedicated helpline to handle queries and requests for assistance on a wide range of matters from food supplies to business support; significant IT and HR activity to enable working from

home, and the processing and payment of business support grants to approximately 3,000 businesses.

Some specific examples of new areas of activity are:

- providing business support through the administration of Scottish Government grants to local businesses and self-employed people
- a Community Food Programme team to ensure vulnerable people can access food and provision of doorstep delivery of free school meals
- a Caring for People partnership bringing together the Health and Social Care Partnership, Third Sector Interface and the Council to work together with a focus on helping people affected by COVID-19 to receive essential support where no other support exists
- redeployment of staff from substantive posts to provide support in critical areas of response activity
- establishment of HUB schools for children of keyworkers.

### 3. The funding and logistical consequences of delivering the local government response

The Council's Financial Services team are working in conjunction with all services to capture and monitor the financial impact of COVID-19 in terms of creating new cost pressures and its impact on the delivery of agreed savings options. Estimations suggest that current grant funding will be insufficient to cover the overall financial impact.

### 4. Assessment of the longer term disruption and consequences arising from COVID-19

The Council have established a 'Recovery Strategy and Framework' which is focused on considering the actions and priorities required to return the Council, and the services it delivers, to 'business as usual.' The actions taken will fully integrate any national recovery plan but also will identify critical issues of recovery given our specific rurality, our geography, our dispersed population, remote peninsulas and island issues. Thematic groups have been established focusing on infrastructure, care of people, economic recovery, reinstatement of services, finance, communications and community engagement and public health. These groups will consider and plan for the longer term disruption arising from COVID-19.

## FINANCIAL SUSTAINABILITY

It is anticipated the Scottish public sector will continue to face a very challenging short and medium term financial outlook with significant uncertainty over the scale of likely reductions in funding. The one year financial settlements do not provide any degree of medium term certainty and ring-fencing of monies limits as well as additional policy commitments not always fully funding creates additional financial pressures.

The financial outlook is significantly exacerbated by the extent to which COVID-19 will impact on both future years expenditure including loss of income and the future years funding. There is a lack of clarity at the current time over how the additional funds made available by the UK and Scottish Government to combat the impact of COVID-19 will meet the 2020-21 additional costs/loss of income and whether there will be further additional funding to support the medium to longer term implications of COVID-19. The Council are closely monitoring the financial impact of COVID-19 to assess the effect it is having on the delivery of agreed savings options and the cost pressures it is creating. The Government will need to consider how they seek to effectively pay these additional funds back and how the economy is going to recover from the pandemic and this could have implications for future funding of Local Government. Furthermore there is still great uncertainty and largely unquantifiable potential implications, of the UK's withdrawal from the European Union.

The Council continues to provide financial estimates for future years and, in 2019-20, agreed to extend their medium term financial outlook to cover a five year window (previously three year) to provide a longer term view of the Council's estimated budget gap. The first five year budget outlook was reported to the Business Continuity Committee in May 2020. During 2019-20 this outlook was presented to the Policy and Resources Committee meeting. 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 whilst noting it could be further enhanced when it is next reviewed. The ten year strategy was first developed in 2017-18 and was to be updated in October 2019 however this was delayed as the Council was expecting a three year budget settlement. It was then further delayed due to the General Election in early 2020 and the outbreak of COVID-19. In April 2020 the Business Continuity Committee agreed to delay the review until the impact of COVID-19 has been managed and there is greater clarity over its financial impact. The review will take on board the recommendations made by our external auditors.

Council officers have annually produced ideas for management/operational efficiencies which have helped reduce the impact of savings on service users and communities. Work is continuing on a number of areas including automating processes, increasing commercial income, more efficient procurement practices, as well as a restructure of the Council's loans fund to generate further efficiencies that may help reduce the budget gap.

In addition work is already underway to develop a three year service redesign programme aimed to identify options to balance the budget in 2021/22 and future years.

### **INTERNAL FINANCIAL CONTROL**

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.

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
- 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
- Live Argyll
- Argyll and Bute Integration Joint Board

### **RISK MANAGEMENT**

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 performed an audit of risk management in 2019/20 to assess whether the revised processes are operating effectively. The audit provided high assurance over the Council's risk management arrangements. In 2019/20 the Chief Internal Auditor introduced a new strategic risk assurance mapping exercise which was presented to the Audit and Scrutiny Committee on 24 September 2019. The Committee agreed this mapping exercise would be performed annually and that Internal Audit would perform an audit of compliance with risk management arrangements every three years unless issues are brought to the attention of the Chief Internal Auditor which would suggest a review is required outwith that cycle.

### 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.

The COVID-19 pandemic meant the 2019-20 audit plan could not be completed in its entirety due to a need to redeploy audit resource to priority tasks required to support the Council's response to the pandemic. This resulted in six audits not being fully complete by the targeted deadline of June 2020. Of these six, two were at draft report stage, three were well advanced through the fieldwork stage and one was in the initial planning stage. The work to complete all six will be carried forward into a revised 2020-21 annual internal audit plan. As all, bar one, of the incomplete audits are well advanced, the Chief Internal Auditor is of the opinion this does not affect his ability to provide an opinion on the Council's systems of governance and internal control.

This opinion is usually provided to the Audit and Scrutiny Committee in June however, due to the COVID-19 pandemic the June meeting was cancelled. Consequently the annual report was e-mailed to all Committee members and will be formally presented when the Committee is re-established. The report confirms that reasonable 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 2019/20, 1 (Pupil Equity Fund) of the 17 audit reports presented to the Audit and Scrutiny Committee had an overall audit opinion of 'limited' assurance. For this, and all other audit reports, an action plan has been agreed and progress against their delivery is routinely monitored by Internal Audit. 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 quarterly basis.

During 2019/20 the following developments were made within Internal Audit:

- enhanced the annual audit report to incorporate a section on performance and feedback
- introduced a new value for money audit finding category to highlight areas where the Council may generate efficiencies
- further revised the continuous monitoring approach to reflect on lessons learned during the first year of its full roll out
- introduced an annual strategic risk assurance mapping exercise
- incorporated external audit's recommendations into the follow-up process
- changed from a monthly to a quarterly follow up process to better prioritise resources
- implemented local benchmarking indicators with five other local authorities.

### 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 2019-20 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.

During 2019-20 the IJB has progressed a number of initiatives to develop its governance arrangements including developing committee terms of reference, further embedding budget monitoring and financial risk reporting, progressing a development programme for IJB members, updating the strategic risk register and working in partnership with the Council's committee services to provide greater governance over the management of committees, reviewing the integration scheme, and appointing a Data Protection Officer.

The IJB has continued to have a number of financial challenges during 2019-20 and the final outturn position was an overspend of £2.446m, well reduced from the previous year's overspend of £6.681m which is a considerable achievement. The operating environment going forward remains very challenging. However, the IJB approved a balanced budget for 2020-21 which should provide reassurance to the public, staff and stakeholders that the HSCP is determined to work within budget. That said, there remains a number of risks to deliver the services within the budget resource and to deliver the agreed savings, both the ones newly agreed for 2020-21 and also the

remaining undelivered savings from 2019-20. New Service Improvement Officer posts were agreed as part of the budget to increase the focus of delivery of savings in 2020/21. Progress was impacted for a couple of months by work on the Covid-19 response, but the savings work has now re-started at end of May.

## UPDATE ON AREAS FOR DEVELOPMENT IN 2018/19 ANNUAL GOVERNANCE STATEMENT

The 2018/19 Annual Governance Statement identified a number of areas for further development. A summary update for each area is provided in the table below.

Area	2019/20 Update
Capital monitoring	Revised capital monitoring process has been established. It was slightly delayed which meant it was not considered beneficial for internal audit to review it as part of the 2019/20 plan as there was more value in allowing the process to bed in. The 2019/20 audit has been carried forward into the 2020/21 internal audit plan.
Streamline treasury management processes	Good progress has been made in 2019/20 with more effective use now made of the functionality of our treasury management system, PSTM. We have introduced an electronic signature into our authorisation processes and are moving away from holding paper copies of documentation. This work will continue in 2020/21.
Implement Point-to-Point Encryption for face to face debit/credit card payments	The ICT service implemented a more secure, encrypted card payment process in 2019. This provides for a more secure route for our customers to make payments and reduces the risk of fraud.
Digitalise all document and evidence exchanges for Local Development Plan 2 'Examination in Public' process	This work is currently ongoing having been delayed from last year, and will be complete during 2020/21.
Develop an automated interface between Concerto and Oracle	An interface for capital payments is being further scrutinized. Work is continuing with Financial Services to finalise an automated interface for the processing of contractor payments for revenue.
Develop a new self-evaluation tool within Early Years to align with 'How Good is our ELC'	Self-evaluation tool has been developed to incorporate the main Quality Indicators within 'How Good is our ELC?' The tool is split into two sections – Learning and Development and Care and Welfare, and forms the basis of quality improvement visits to all establishments within Argyll and Bute.
Implement the transfer of Human Resources and Organisational	The NHS employees in the HROD team supporting Argyll and Bute Health and Social Care Partnership transferred to the Head of Customer Support Services in September 2019. This has resulted in improved alignment of HROD activities and a more integrated

Development from HSCP management to Argyll & Bute management and review governance arrangements	approach to employee support across the partnership. A review of staff governance was also undertaken in partnership with the Trade Unions to streamline engagement and decision making.
Rollout score cards for monitoring of performance and targets within Roads & Amenity Services	Electronic scorecards and monitoring systems are in place and being positively used to monitor response times for Member enquiries and general enquiries. These systems have resulted in an improvement in response times and provide a live tally of outstanding correspondence. Scorecard and performance management information is also in place and being actively used for roads and refuse related activities.

## ISSUES FOR FURTHER DEVELOPMENT

The review of governance and internal control has identified the following areas for consideration during 2020/21, particularly in the context of continuous improvement within the Council:

- Continue to progress the work to digitalise all document and evidence exchanges for LDP2 Examination in Public (Head of Development and Economic Growth – March 2021)
- Develop an integrated production process for the SHIP and Local Housing Strategy which will utilise GIS information to improve due diligence knowledge of proposed Registered Social Landlord housing sites, thus identifying risks to delivering the SHIP. (Head of Development and Economic Growth – March 2021)
- Procure and implement enhanced logistical software that will facilitate route optimisation for many transport related functions (Head of Roads and Infrastructure Services – March 2021)
- Continued to develop an automated interface between Concerto and Oracle (Head of Commercial Services – December 2020)
- Improve quality and accuracy of asset information which will benefit asset valuations, calculations for utilities costs and asset management (Head of Commercial Services – March 2021)
- Develop the provision of governance and committee support to the Integration Joint Board (Head of Legal and Regulatory Support – March 2021)
- Develop further self-evaluation tools to improve self-evaluation processes and monitoring of quality provision within 1140 hours (Heads of Education – March 2021)
- Work with the Quality Improvement Group to develop GIRFEC procedures and processes to improve children and young people’s experiences of Child’s Planning Processes. (Heads of Education – March 2021)
- Implementation of a self-billing approach using CareFirst for payments to social care providers to further improve payment efficiency and simplify monthly budget monitoring work (Head of Financial Services – February 2021)

### **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 2019/20 and that there are no significant weaknesses. This assurance is framed within the context of the work undertaken during the year and the evidence available at the time of preparing this statement.