

## **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 2015-16 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 Single Outcome Agreement 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.

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.

## **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 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).

The Council was the subject of follow-up audit by the Controller of Audit during 2014-15 which concluded that the Council had responded constructively to the Accounts Commission findings on the 2013-14 statutory report and was making progress with improvement work.

The Controller of Audit provided an updated report on the Council's arrangements to the Accounts Commission in 2015 which concluded:

“The Commission accepts this report by the Controller of Audit on progress made by Argyll and Bute Council since our 2013 and 2014 reports on Best Value in the Council.

The Commission acknowledges and welcomes the progress by the Council since 2013 in relation to improved governance, decision making and scrutiny arrangements and the improving relationships between political groups and between members and officers.

Members and senior officers need to consolidate this progress by continuing to improve the Council's openness, transparency and how it involves its communities in decision-making and scrutiny, in order to build the trust and confidence of service users and the public. More can be done to ensure a more effective contribution from area committees.

The council's current approach to the scale of the financial challenge it faces is not sustainable. This approach urgently needs to be more clearly linked to the Council's priorities and based on rigorous appraisal of options for service redesign. This is not a conclusion from the Audit Scotland report that we were in full agreement with”. This is not a conclusion from the Audit Scotland report that the Council were in full agreement with.

“The Commission notes with disquiet the dysfunctional relationships which persist between a number of individuals. The Commission is firmly of the view that the interests of the public are best served by a shared commitment by all parties to maintaining constructive relationships and high standards of conduct.

We will maintain our interest in the progress made by the Council. The Controller of Audit will continue to monitor progress through the annual audit process”.

### **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 both members and officers.

### **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 was reviewed and there are effective arrangements for whistle-blowing and for receiving and investigating complaints from the public and partners.

The Counter Fraud Investigation Team was established in October 2015 and 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

exceptions 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.

The Audit Committee and Performance Review and Scrutiny Committees each held development days in 2015-16, and have agreed workplans for improvement. The Audit Committee self-assessed its effectiveness, and identified key actions which were taken forward during 2015-16, 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 also implemented an Argyll and Bute Manager and Leadership Programme, 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, 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 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.

#### 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.

After a full recruitment process which searched UK wide, the Council appointed a new Head of Strategic Finance who commenced the role on 1 October 2015.

## AUDIT SCOTLAND FOLLOW-UP AUDIT

The Council was the subject of follow-up audit by the Controller of Audit during 2015-16. The follow-up audit considered the actions taken by the Council in response to the statutory report in 2013-14 and the first follow up audit and concluded that the Council had made progress in addressing the issues raised in the 2013-14 audit.

The controller of audit made the follow conclusions in respect of this further follow up audit namely:-

The council still has some areas where it needs to improve. These include:

- Establishing a more open and transparent culture and style of working. This includes appearing less defensive in dealing with conflict and minimising the amount of business it carries out in private. It needs to do this to reduce complaints about a lack of openness and build greater trust with communities. Learning from other organisations that demonstrate the greatest degree of openness will assist with this.

- Continuing to seek a resolution to long-standing and deep-rooted relationship difficulties between some members and between the council's leadership and one of the Argyll and Bute constituency MSPs.
- Taking a more innovative approach to dealing with its financial challenges that is in line with its strategic vision and priorities for the area. This includes looking beyond reducing or withdrawing services and more fundamentally examining how it can do things differently.
- Demonstrating more clearly how it takes on board consultation feedback from its communities, to build a greater level of trust and willingness to work with communities. This will be important in taking forward Service Choices.
- Strengthening local empowerment and embracing the enthusiasm of local communities to be more involved in the work of the council. This includes building on existing area committee and community planning structures and exploring possible opportunities under the Community Empowerment Act to give local people more say in decisions.
- Exploring all options for providing training and development for all members in a way that is most accessible and has greatest impact.

The Council considered the report and the Accounts Commission conclusions at its meeting In January 2016 and determined as follows :-

The Council -

1. Welcomed the findings, particularly in relation to the progress that the Council has made; the improvements in political and managerial leadership, decision making and scrutiny with a consequent reduction in risk.
2. Welcomed the recommendations to consolidate progress and build on this to ensure a sustainable future particularly at a time of significant financial challenge.
3. Agreed to accept the recommendations and the development of an improvement plan to take forward the Statutory Report and Accounts Commission findings.

The development of an improvement plan is in hand which will seek to continue the progress made by the Council in addressing the findings of the various audit reports referenced, as part of the overall approach to the wider aspirations of the Council to continue to seek improvement to service delivery.

## FINANCIAL SUSTAINABILITY

The budget approved in February 2016 has created a solid foundation to work from. One of the key elements of our budget strategy over the last year was a service review/service prioritisation process entitled "Service Choices" and this was designed to match budget to Members priorities. Savings options were created and were subject to public consultation. Members made a decision on all the options presented and some are deliverable in 2016-17 and for others where there is more service redesign, they will be deliverable in future years.

The Council agreed, in February 2016 to create three new Funds, totalling £4.5m all designed to help to support the economy and grow our population. 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.

Our Council have been committed to transformation and delivering services as innovatively as possible and over the last few years have delivered various transformation projects. As part of our budget consultation we also asked the public to write in with ideas on how they think services can be delivered differently. We created an innovation fund in October 2015 (£100k) that is there to provide support to services in developing business cases for innovative ideas and engaged with all employees.

## 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.

In particular the system includes:

- Comprehensive budgeting systems
- Regular reviews by the Council and the above named bodies 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 Function

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 continued to mature. The Chief Executive submitted an annual report on Audit and Risk Management to the Audit Committee. We have developed risk tolerance and risk appetite thresholds within our Strategic Risk Register which was also reviewed and agreed by SMT who will continue to review risks on a regular basis and ensure that active mitigations are in place.

Operational Risk Registers are reviewed and updated on a regular basis and inform performance scorecards. Results from the annual CIPFA benchmarking exercise demonstrated an improvement within individual categories with an overall Embedded and Integrated rating.

During 2015-16, the Audit Committee considered an updated assurance map, prepared by internal audit, 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 2016-17 have been targeted to provide the Audit Committee on areas where additional assurance is required.

A Risk Management Strategy has been developed by Argyll and Bute Health and Social Care Partnership and will be presented to both partner organisations for approval in May/June 2016 prior to it being approved by the Integrated Joint Board.

## INTERNAL AUDIT

Argyll and Bute Council and the above named 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 the above named bodies are exposed, with annual internal audit plans prepared based on that analysis. The Council's Audit Committee endorses the analysis of risk and internal audit plans.

The Chief Internal Auditor provides the Audit Committee with an annual report on internal audit activity in the Council. The annual report includes an independent opinion on the adequacy and effectiveness of the Council's systems of governance and internal control and concludes that although a number of the areas reviewed provided a limited level of assurance, overall, systems for internal control were satisfactory during 2015-16.

Internal audit provides Members and management of the Council with independent assurance on risk management, internal control and corporate governance processes. External Audit places reliance on the work of internal audit.

The Chairman and Vice Chairman are independent lay members of the Audit Committee.

## ISSUES FOR FURTHER DEVELOPMENT

The review of governance and internal control has identified the following areas for consideration during 2016-17, particularly in the context of continuous improvement within the Council:

- During 2015-16 the Council received 1323 FOI requests of which 1227 (93%) were responded to within the required timescale. The Council received 47 requests for review (3.5%). FOI procedures were recently the subject of an internal audit report which confirmed a substantial level of assurance.
- 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 single outcome agreement (SOA) and ensuring these reflect council priorities.
- Local Scrutiny Plan 15/16 take cognisance of issues identified within the 2013/16 Assurance and Improvement Plan (AIP). The plan is based on a shared risk assessment undertaken by the local area network (LAN) and draws on a range of evidence with the aim of determining any scrutiny activity required and focusing this in the most proportionate way. The Council will be subject to a range of risk based and nationally driven scrutiny activity, the risk based scrutiny specifically relates to Audit Scotland Best Value follow up work. All other scrutiny arises from national scrutiny programmes.
- Ensuring that we have a sustainable budget for the future and that reduced budget/resources are aligned to support council priorities and SOA delivery plans. 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.
- Further development of risk management to ensure that it remains embedded within council business.

- Ensuring the internal audit function is fully resourced and work is planned to ensure the 2016-17 audit plan is delivered and that further improvements in the development of internal audit are achieved.
- Having established the IJB, agreed the scheme of delegation and the 3 year strategic plan, 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 continues to improve political management arrangements and governance within the Council.
- 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 2015-16 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 Dick Walsh  
Leader

Cleland Sneddon  
Chief Executive

Kirsty Flanagan  
Head of Strategic Finance