

PERTH AND KINROSS COUNCIL

Scutiny Committee - 13 June 2018

ANNUAL GOVERNANCE STATEMENT 2017/18

Report by Head of Legal & Governance Services (Report No. 18/192)

PURPOSE OF REPORT

The purpose of the report is to seek approval of the Annual Governance Statement (AGS) for the financial year 2017/18 which provides assurance as to the effectiveness of the Council's governance framework and in particular the system of internal control.

1. INTRODUCTION

1.1 The purpose of the Annual Governance Statement (AGS) is to give assurance to our stakeholders that we have effective arrangements in place to ensure that, as a Council, we are doing the right things for the right people at the right time in an open, honest and accountable way.

1.2 The AGS provides an opportunity to review our rules, resources, systems, processes, culture and values to make sure that our governance framework and in particular our system of internal control is:

- legally compliant
- ethically sound; and
- fit for purpose

thereby enabling the Council to achieve its strategic objectives and provide high quality services that meet the needs of our communities, in an appropriate, efficient and affordable way. It is important therefore, that governance issues are identified systematically and comprehensively and reported in an open and transparent manner.

1.3 The Annual Governance Statement for 2017/18 is attached as Appendix 1 to this report. It has been prepared in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Framework: Delivering Good Governance in Local Government and is required to be published as part of the Council's Annual Accounts.

2. GOVERNANCE ASSURANCE PROCESS

2.1 The assurance process to inform the AGS was reviewed and redesigned in 2016 to better test the effectiveness of the framework by requiring more in-depth evidence from Service Management Teams as to how well the internal

controls are operating within their own service areas. The process has been further refined in 2017 to take into account the new CIPFA Framework and associated guidance and to better reflect best value.

- 2.2 Evidence has been gathered by way of self-assessment from each of the Service Management Teams which was then scrutinised and reviewed through the Policy and Governance Group.
- 2.3 Directors have provided Certificates of Assurance in respect of the adequacy and effectiveness of the controls within their area. These are included as background papers to this report.
- 2.4 Certificates of Assurance have also been provided by the following officers in respect of their assessment of key corporate controls :
 - Chief Finance Officer (S 95 Officer)
 - Head of Legal & Governance Services /Monitoring Officer
 - Head of Democratic Services
 - Chief Internal Auditor
 - Corporate Procurement Manager
 - Information Compliance Manager
 - Corporate IT Manager
 - Corporate HR Manager
 - Employee Innovation & Engagement Manager

These are included as back ground papers to this report.

- 2.5 Assurance has been provided from the Head of Public Sector Reform , Culture and Community Development , in her capacity as the Contract Monitoring Officer in respect of our Arm's Length External bodies (Horsecross Arts Ltd, Live Active Leisure and Culture Perth & Kinross) . The relevant Certificates of Assurance are included as background papers to this report.
- 2.6 The Assurance process is designed to test the continuing effectiveness of our governance arrangements and to identify current, emerging and potential future risks to enable the organisation to adjust and improve their internal controls to mitigate and manage these effectively.

3 EFFECTIVENESS OF GOVERNANCE ARRANGEMENTS

- 3.1 In the course of 2017/18 there has been significant changes in terms of both the political and organisational structure and leadership within the Council.
- 3.2 The 2017 council elections brought a change of political administration and 22 new councillors. The administration is conservative led and comprised a partnership with the Liberal Democrats, with confidence and supply from the 3 Independent and 1 Scottish Labour councillors. The independent and Scottish Labour councillors have since withdrawn their confidence and supply to the administration, which whilst not changing the leadership may require further

changes to committee membership. Officers will continue to support elected members through training to ensure that they are effective in their roles.

- 3.3 There has also been significant changes over the last 18 months in terms of the Executive Officer Team with the retirement of the Chief Finance Officer, Deputy Chief Executive and the Senior Deputy Chief Executive in 2017-18. The Chief Executive herself will be retiring at the end of June and the Head of Democratic Services in November. Whilst this represents a substantial loss of knowledge, skills, and experience at the most senior levels of the organisation, the majority of these departures have been known and a programme of succession planning has been implemented to ensure that these changes are managed appropriately and that continuity of leadership and direction is maintained.
- 3.4 Despite these changes therefore, the assurance process can demonstrate that the Council has in place adequate internal controls that are considered fit for purpose in accordance with the governance framework.
- 3.5 The process also identified that significant work has been undertaken to improve the controls in areas identified through the Assurance Process for financial year 2016/17.
- Embedding a new approach to risk management in line with the Council's new Risk Management Strategy and associated processes through a tailored programme of training and risk workshops.
 - A comprehensive review of the Council's strategic risks is ongoing
 - Through our Procurement Strategy we seek to implement a consistent corporate approach to contract management activities. We have developed a Contract Management process which is aligned to Scottish Government toolkit for contracts and procurement, established our corporate approach to segmentation and analysis and redefined roles and responsibilities within our Contract Rules.
 - We have developed a Corporate Workforce Plan to ensure that we have the organisational capacity, skills and agility to deliver our corporate objectives.
 - We have improved the scrutiny function in respect of the performance of our Arm's Length External Organisations with regular reports and presentations to the Council's Scrutiny Committee.
 - Significant work has been undertaken in terms of information process mapping, privacy impact statements, awareness and training and a review of policy, procedures and practice in respect of our processing and management of personal information to ensure compliance with the General Data Protection regulation.

3.6 The process has also been successful in identifying the following areas which would benefit from continuing work or further development to ensure that they current and emerging risks are managed effectively:-

- Information Management : Given the new legislative requirements of the General Data Protection Regulation and the associated UK legislation, the Council requires to undertake a wholesale review of information policies, processes and procedures to ensure compliance. Such a review will also provide an opportunity to develop a new information strategy to derive the best value from our information assets.
- Transformation : the governance framework in respect of our programme of change and transformation requires to be reviewed and revised to provide more effective strategic management of our change, transformation and improvement activities to ensure that these are aligned to our key objectives and deliver best value.
- Community Engagement : Through the Stronger Communities Team we will continue to support communities to better engage and increase their participation in Action Partnerships. In particular we will create a common framework for Participatory Budgeting across Perth & Kinross and further develop and refine the Community Asset Transfer process.
- We will continue to work with the Integrated Joint Board and with colleagues within the Health & Care Partnership to refine our governance arrangements in order to :-
 - (i) provide adequate levels of assurance to both the Council and the Board services are being delivered in accordance with the IJB's Strategic Plan and that the quality and standards of services delivered are appropriate and maintained.
 - (ii) support the partnership in shifting the balance of care through service design; and
 - (iii) provide assurance that the partnership is delivering best value in relation to health and social care services.
- In terms of Contract Monitoring and management, we will continue to implement our Procurement Strategy. We will also undertake a review of our systems used to monitor third party spend in order to capture better quality performance data. For each contract we aim to have a clearly defined contract management cycle documented and agreed, with standards set out and communicated.
- We will continue to embed workforce planning into our overall business planning activities.
- In terms of health & wellbeing we will review our existing strategy to ensure that our procedures and approaches build organisational

resilience, address mental health issues effectively and enhance productivity.

- We will further develop and refine the scrutiny and assurance functions in respect of the performance of our arm's length organisations.

3.7 Elected Members, Senior Management and our stakeholders should be reassured however, that these areas are already the subject of ongoing work or planned reviews. This demonstrates that as an organisation we recognise and have a good understanding of our changing risk landscape. We are committed to continuously improving the effectiveness of our governance framework to ensure that it is robust and fit for purpose in these challenging times enabling us to continue to deliver high quality services to our communities in the most cost efficient and effective way.

4. RECOMMENDATION

4.1 It is recommended that the Committee:

- (i) Note the content of this report; and
- (ii) Scrutinise and comment on the draft Annual Governance Statement for the financial year 2017/18 attached

Author(s)

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Approved

Name	Designation	Date
Jim Valentine	Depute Chief Executive (Chief Operating Officer)	June 2018

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	
Community Plan / Single Outcome Agreement	None
Corporate Plan	None
Resource Implications	
Financial	None
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	None
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	Yes
Risk	None
Consultation	
Internal	Yes
External	Yes
Communication	
Communications Plan	None

1. **Strategic Implications N/A**

2. **Resource Implications N/A**

3. **Assessments N/A**

4. **Consultation**

Internal

- Service Management Teams
- Executive Officer Team
- Corporate Management Group
- Policy & Governance Group
- Chief Internal Auditor
- Corporate Procurement Manager
- Information compliance Officer
- Health, Safety & Wellbeing Manager

External

Staff from the following external organisations have been consulted the preparation of the Annual Governance Statement including :

- Tayside Contracts
- Perth & Kinross Integrated Joint Board
- Live Active Leisure Limited
- Culture Perth & Kinross Limited
- Horsecross Arts Limited
- Tayside Valuation joint Board

5. Communication

- 5.1 The Annual Governance Statement will be published with the Council's Final Accounts for 2017/18

2. BACKGROUND PAPERS

Certificates of Assurance

3. APPENDICES

Annual Governance Statement 2017/18