

## **ANNUAL GOVERNANCE STATEMENT 2021/22**

### **1 Introduction**

- 1.1 2021-22 continued to be extremely challenging for the Council as is sought to maintain effective service provision whilst still undertaking new tasks in response to the ongoing global COVID-19 pandemic. The continued requirement for many officers and elected members to work remotely from home brought with it both risks and opportunities in terms of governance. Systems, processes, tools and technology were deployed differently and innovatively; ensuring that democratic decision-making continued in an open and transparent manner and that an appropriate level of service provision was maintained as we worked with our partners and our communities to manage the public health crisis.
- 1.2 As a public body, the Council must always act in the public interest. We must behave with integrity, conduct our business in an open and transparent manner, demonstrate a strong commitment to ethical values and comply with the law. We must use public money economically, efficiently, and effectively to provide sustainable services which make life better for the people of Perth & Kinross. A comprehensive and robust governance framework is integral to the success of Perth & Council's ability to discharge these responsibilities.
- 1.3 The purpose of the Annual Governance Statement is to give assurance to the people of Perth & Kinross, our Elected Members, staff, partner agencies and other stakeholders that our governance arrangements are adequate and effective and that our system of internal control is robust.

### **2 Scope of Responsibility**

- 2.1 As well as providing assurance as to the effectiveness of the governance arrangements in place for the Council, this Annual Governance Statement also covers the six organisations that are included in the Council's Group Accounts.
- Live Active Leisure Limited (subsidiary)
  - Horsecross Arts Limited (subsidiary)
  - Culture Perth & Kinross Limited (subsidiary)
  - Tayside Valuation Joint Board (associate)
  - Tayside Contracts (associate)
  - Perth & Kinross Integration Joint Board (joint venture)

### **3 Our Governance Framework**

- 3.1 Our governance framework comprises our culture, values, rules, resources, systems, tools and processes which we have in place to help us achieve our strategic objectives. We recognise that the following are fundamental elements of good governance within public sector organisations: -
- Leadership, Culture & Values
  - Vision, Direction & Purpose
  - Stakeholder Engagement
  - Organisational Development
  - Effective Decision Making
  - Internal Controls
  - Scrutiny & Accountability

3.2 These fundamental elements of our governance framework reflect and seek to embed the principles of good governance within 2016 CIPFA Framework for Delivering Good Governance in Local Government, namely :

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Ensuring openness and comprehensive stakeholder engagement
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

3.3 A crucial part of the framework is the system of internal control which is designed to manage and mitigate risk in relation to the achievement of our intended outcomes.

3.4 The Council manages risk through a continuous process of identification, assessment, evaluation, prioritisation, and mitigation. We evaluate risk based on likelihood and impact in both financial and non-financial terms. We do however need to mitigate and manage risk proportionately; recognising that risk can never be eliminated completely and that only reasonable assurance can ever be given.

#### **4 Our governance arrangements**

4.1 Our culture and values are reflected in our behaviour and our decision-making. Our policies, processes and procedures including Elected Member and Employee Codes of Conduct, Whistleblowing and anti-fraud and corruption policies, Elected Member Register of Interests, Gifts & Hospitality Policy ensure that as a Council, we respect the rule of law, behave with integrity, promote a culture of good governance and demonstrate a strong commitment to ethical values.

4.2 There are appropriate and effective arrangements in place for the discharge of the following statutory functions:

- Head of Paid Service
- Monitoring Officer
- Chief Finance Officer
- Chief Social Work Officer
- Data Protection Officer

4.3 Leadership within the organisation is effective with good communication between elected Members and Senior Management through Leaders Meetings, Convenors meetings, Member Officer Working Groups and all-member briefings where appropriate. There are also regular pre-agenda discussions in respect of each scheduled Council and Committee meeting.

4.4 Our Local Outcome Improvement Plan and Corporate Plan set out our vision and purpose and the approved Revenue and Capital budgets prioritise how our financial resources are to be deployed. Key strategic documents such as the Perth & Kinross Offer Framework, Capital Investment blueprint, Housing Investment Programme, economic wellbeing Plan and Climate Change Strategy provide the necessary direction to the organisation to enable it to deliver on its vision and achieve its purpose.

- 4.5 We recognise the importance of good stakeholder engagement and will continue to engage and work in partnership with our communities, partners and other stakeholders to ensure that we design and deliver the public services that our communities need and value. The Council has a strategy for engaging with communities and has agreed a Statement of Intent with its Community Planning Partners to support a co-ordinated approach to community engagement. Our approach to consultations is based on the National Standards for Community Engagement and we have established a wide range of consultation processes and procedures. The Community Empowerment (S) Act 2015 provides a framework for improving the quality of engagement and participation which will be reflected in the Local Outcome Improvement Plan.
- 4.6 We are operating in an increasingly complex and financially challenging public sector landscape and must be able to adapt and evolve our services and workforce to continue delivering cost-efficient, high-quality services. Our people remain are our most valuable asset and as an organisation we will secure the best outcomes for our communities by investing in the development of our workforce and of our leaders to ensure that they have the right skills and have sufficient capacity to deliver. Our approach is outlined in our [Corporate Workforce Plan – Resourcing PKC Everyone Has Something To Offer](#) and our “Learn, Innovate Grow” philosophy is embedded across the organisation to create a highly motivated, skilled and agile workforce. There is a programme of leadership development in place for our managers and an extensive programme of induction and and continuous development for Elected Members.
- 4.7 The Council’s Scheme of Administration sets out the Council’s decision-making structure setting our roles, remits and responsibilities to ensure transparency and accountability.
- 4.8 We have a robust suite of policies, procedures and management processes to ensure that there are appropriate **internal controls** in place in respect of: -
- Workforce planning & management
  - Financial planning & management
  - Risk & Performance Management
  - Change management
  - Procurement
  - Major Investment Project Management
  - Health & Safety
  - Information Management & Security
  - Civil Contingencies & Business Continuity
  - Anti- Fraud & Corruption
  - Conflicts of interests
  - Gifts & Hospitality
  - Whistleblowing and reporting concerns
  - Complaints handling
  - Officer and elected member conduct
- 4.9 As a public body we must be open, transparent and accountable for our decisions, actions and performance. Our management and democratic structures and processes are designed to facilitate effective decision making and the proper scrutiny of those decisions and their impact in terms of performance and the achievement of our intended outcomes.
- 4.10 The Council set a budget for the year 2022/23 in February 2022. Each budget is allocated to a named budget holder. Budgets are monitored regularly by Service Management Teams and overall financial performance is monitored regularly by the Executive Leadership Team. Council through previously, the Strategic Policy & Resources Committee and now Finance and Resources Committee receives regular financial monitoring information as part of the budgetary control framework and provides the required political scrutiny of our financial management and performance.

- 4.11 Capital spend is monitored by the Executive Leadership Team through the Transformation Board reported regularly to the Strategic Policy & Resources Committee ( now Finance & Resources Committee) as part of the budgetary control framework. The Capital Programme Office monitors project milestones.
- 4.12 The service planning process ensures that Services meet the needs of customers, and that targets for quality improvements are set and monitored. Individual Business Management & Improvement Plans set out detailed actions and outcomes for each Service and include performance indicators. Service performance is reported regularly to the Executive Leadership Team and publicly through the Council's themed committees and the Scrutiny committee. Financial performance is publicly reported through the Strategic Policy & Resources Committee ( now Finance & Resources Committee) and relevant service committees.
- 4.13 The Council publishes an Annual Performance Report on its performance against the objectives set out within the Corporate Plan and Local Outcome Improvement Plan.
- 4.14 The Council has a published process for dealing with the following and annually reports on performance in this respect of these areas: -
- complaints from members of the public
  - requests for access information under the Freedom of Information legislation
  - access information under the Data Protection legislation

## **5 COVID-19 Pandemic Governance Arrangements**

- 5.1 In light of the COVID-19 pandemic, the Council implemented effective and appropriate civil contingencies arrangements. These have ensured: -
- an effective operational command structure to deliver essential services and key activities to protect the health and wellbeing of our communities during this time
  - adequate and effective risk management at both a strategic and operational level of existing, new and emerging risks
- 5.2 Planning has continued for recovery and renewal in line with the published Scottish Government framework and a key part of that will be ensuring appropriate governance arrangements are in place. These have been flexible to respond to the changing environment during the year to ensure a proportionate response to the impact of the pandemic on our communities and our workforce.

## **6 Governance Assurance Process**

- 6.1 The Council utilises a robust process of gathering assurance information from Service Management Teams which concludes with Certificates of Assurance being signed by each Executive Director and the Chief Operating Officer.
- 6.2 Corporate assurance has also been provided as regards the adequacy of the internal controls from the following Officers:
- Chief Finance Officer (S 95 Officer)
  - Head of Legal & Governance Services /Monitoring Officer
  - Chief Internal Auditor
  - Data Protection Officer
  - Records and Information Security Manager
  - Corporate Procurement Manager
  - Senior HR Manager

- Head of Innovation

6.3 For Arm's Length External Organisations, reliance has been placed upon:

- unaudited financial statements of the companies (audited accounts will be scrutinised when available)
- assurance self-assessment evaluations
- terms and conditions of Service Level Agreements
- contract monitoring meetings with Service
- performance information and financial monitoring reports to Service
- presentations to Scrutiny Committee

6.4 For Tayside Contracts Joint Committee, Tayside Valuation Joint Board and Perth & Kinross Integration Joint Board, reliance has been placed upon each organisation's own Annual Governance Statement.

6.5 The draft Annual Governance Statement is considered by the Executive Leadership Team and the Council's Scrutiny Committee prior to inclusion within the final draft Annual Accounts.

6.6 The Annual Governance Statement is considered by the Audit Committee as part of the Annual Accounts.

## **7 Effectiveness of Governance Arrangements for 2021/22**

7.1 Based on the assurance process outlined above, in terms of effectiveness, the Council's governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework, subject to the areas identified for review or improvement set out in section 10.

7.2 Our financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015). Financial risks arising from the continuing response to the COVID-19 pandemic are highlighted and managed through our effective processes, with regular reporting to Elected Members.

7.3 Our assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010)

7.4 The Council has designated the Head of Legal & Governance Services as the Senior Information Risk Owner with the Head of Corporate IT and Revenues as Depute. Our information security measures have been reviewed in 2021/22 to ensure continuing compliance with the Public Service Network (PSN) requirements.

7.5 The Chief Internal Auditor is the Council's nominated Money Laundering Reporting Officer. There has been no relevant activity in respect of Council and its group during the year.

7.6 We have structures in place which support constructive challenge and effective scrutiny to our system of internal control and our broader governance arrangements. In particular; -

- Audit Committee
- Scrutiny Committee
- Finance & Resources Committee
- Themed Committees
- Executive Leadership Team / Extended Executive Leadership Team
- Policy & Governance Group
- Transformation Board

- Internal Audit
- External Audit (presently KPMG)

## 8 Opinion of the Chief Internal Auditor

- 8.1.1 Audit activity and performance will be detailed in the Annual Report by the Chief Internal Auditor for the year 2021/22 when it is presented to the Council's Audit Committee. The draft report contains the Chief Internal Auditor's opinion in respect of the effectiveness of the governance arrangements in place, as follows: -

***"In the Chief Internal Auditor's opinion, reasonable reliance can be placed on the Council's risk management and governance arrangements, and systems of internal control for 2021/22, subject to management implementation of the agreed actions detailed in Internal Audit reports."***

## 9 Areas for review /continued improvement action

- 9.1 The last two years have demonstrated our reliance on technology and the way in which technology can shape and influence how we deliver services and work as an organisation in the future. We will therefore review our cyber resilience and information governance arrangements to ensure that they are fit for purpose and robust.
- 9.2 The Council's financial management: governance and reporting arrangements have been assessed against the financial management standards set out within the CIPFA Financial Management Code (2019). The Code is largely based upon the standards set out elsewhere within the Annual Governance Statement and the Council is considered to be compliant with the Code. Improvement actions arising from the review include consideration of how the Council can build upon existing practice in its budget consultation with stakeholders and strengthening existing reporting arrangements through the submission of a Financial Strategy report to Council in June.
- 9.3 The adoption of our Climate Change Strategy in December 2021 will require all strategies and policies to be reviewed for their impact in this area. An Integrated Assessment Tool is being developed which captures these considerations for future reports and existing strategies and policies will be subject to a similar process for ensuring their consistency with the Climate Change Strategy.
- 9.4 In addition to these areas, there are some specific areas which will be held under review:
- Leadership and senior management structure and capacity
  - Capacity and resources to lead, develop and deliver transformation and change programme
  - Development and implementation of a new Financial Strategy to address financial deficits and support transformation activity
  - Our approach to community engagement as we develop the Perth & Kinross Offer
  - Resource implications of ongoing response/ recovery from COVID-19 pandemic
  - Leadership capacity and corporate support to Integration Joint Board

## **STATEMENT**

The Council is legally required to review the effectiveness of its governance arrangements and to publish an Annual Governance Statement, with its Annual Accounts. The governance framework and in particular the system of internal control, has been assessed in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA).

The review of the effectiveness of the Council's system of internal control and overall governance framework has been informed by different sources assessing risk and providing assurance: -

- Executive Leadership Team/ Service Management Teams
- Chief Finance Officer
- Monitoring Officer
- Chief Internal Auditor/ Internal Audit
- Data Protection Officer
- Policy & Governance Group
- External Audit
- External agencies and inspectorates.

**The Council's Governance Framework is considered robust and effective.**

Each Director, who has responsibility within the Scheme of Delegation for the development and maintenance of the system of internal control, has reviewed the current governance arrangements and internal controls within their service area and provided assurance that these are effective.

The Chief Finance Officer has provided assurance that the financial arrangements in place conform to the relevant CIPFA requirements and that our expenditure is lawful. The Monitoring Officer has provided assurance that our governance arrangements ensure compliance with relevant laws, regulations, internal policies and procedures.

The Chief Internal Auditor has provided assurance for the year 2021/22 and an Internal Audit plan will be developed for 2022/23 that will focus on areas which have been identified as corporate or service specific risks in relation to core business and any additional risks which have arisen as a result of the COVID-19 pandemic.

We are satisfied that our governance arrangements and in particular, our system of internal control, continue to be regarded as fit for purpose. Any identified improvement actions will continue to be delivered and monitored through existing improvement plans, audit plans and change programmes to avoid duplication of effort.

We have been reassured by the way in which this Council has adapted to the challenges presented by the COVID-19 pandemic. Our governance framework and understanding of key risks have not only ensured that essential services have been maintained but that innovative arrangements could be implemented to meet new and emerging needs as these arose. As we support our communities to recover from the impact of COVID-19, our governance framework will continue to be reviewed and adapted where necessary to ensure that it remains robust and effective.

Signed:

Signed:

**Thomas Glen, Chief Executive**  
Date

**Grant Laing, Leader of the Council**  
Date