

ANNUAL GOVERNANCE STATEMENT 2016/17

1 Introduction

- 1.1 Good governance is key to the success of Perth & Kinross Council in delivering its corporate and community objectives and being recognised as an ambitious, high performing Council. It supports better informed decision making, the efficient use and management of our resources, high quality performance, greater scrutiny and accountability, resulting in better outcomes for the communities we serve.
- 1.2 The purpose of the 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 effective and our system of internal control is robust.

2 Scope of Responsibility

- 2.1 As a public body, the Council must act in the public interest at all times. It must behave with integrity, conduct its business in accordance with the rule of the law and demonstrate a strong commitment to ethical values. We must demonstrate and ensure that public money is used economically, efficiently, and effectively to deliver sustainable outcomes for the people of Perth & Kinross
- 2.2 The Local Government in Scotland Act 2003 also places a specific duty on the Council to make arrangements to secure best value and ensure continuous improvement in terms of the services it delivers to our communities.
- 2.3 A comprehensive and robust governance framework is integral to the Council's ability to discharge these responsibilities and deliver good outcomes. The Annual Governance Statement seeks to provide assurance that our governance framework is appropriate, adequate and effective in enabling the Council to deliver good outcomes and manage risk.
- 2.4 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
 - Tayside Valuation Joint Board (associate)
 - Tayside Contracts (associate)
 - Perth & Kinross Integrated Joint Board (statutory partnership)

3 The purpose of the Governance Framework

- 3.1 Our governance framework comprises the rules, resources, systems, processes, culture and values designed to help us achieve our strategic objectives and provide effective, good quality services in the most cost effective way possible.
- 3.2 A crucial part of the governance framework is the system of internal control which is designed to manage the risk of a failure to the achievement of our intended outcomes.

- 3.3 The Council manages risk through a continuous process of identification, assessment, evaluation, prioritisation and mitigation. We evaluate risk on the basis of 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.
- 3.4 The purpose of the governance framework therefore is to ensure that we are using all of our resources effectively to deliver good outcomes for our communities and to provide assurance that we are indeed doing the right things, for the right people at the right time in an open, honest and accountable way.

4 Our Governance Framework

- 4.1 We recognise that the following are fundamental elements of good governance within public sector organisations:-
- Vision, direction & purpose
 - Leadership, Culture & Values
 - Stakeholder Engagement
 - Organisational Development
 - Effective Decision Making
 - Internal Controls
 - Scrutiny & Accountability
- 4.2 These fundamental elements of our governance framework reflect and seek to embed the principles of good governance within the International Framework: Delivering Good Governance in the Public Sector developed by CIPFA and the International Federation of Accountants, now incorporated into the 2016 CIPFA Framework for Delivering Good Governance in Local Government, namely :
- Defining outcomes in terms of sustainable economic, social and environmental benefits
 - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
 - 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
- 4.3 Our governance arrangements are underpinned by the fundamental principles of good governance, the requirements of legislation and best practice and can be summarised as:
- Our vision is the achievement of the shared priorities and intended outcomes for the citizens of Perth & Kinross defined in our [Community Plan/Single Outcome Agreement 2013-23](#) and our [Corporate Plan](#) for 2013-18. Building Ambition: Our Transformation Strategy together with our [Business Plan](#), [Revenue Budget 2017](#), [Capital Budget and Housing Investment Programme](#) and other strategic documents provide the necessary direction to the organisation to enable it to deliver on its vision and achieve its purpose.

- Our leadership is effective. The roles and responsibilities of Elected Members and Management within the Council are understood and respected. There is effective communication between Members and Management through Leaders Meetings, Convenors meetings, Member Officer Working Groups and all member briefings where appropriate.
- There are effective arrangement in place for the discharge of the following functions:
 - Head of Paid Service
 - Monitoring Officer
 - Chief Finance Officer
 - Chief Social Work Officer
- Our culture and values are reflected in everything we do as an organisation. It is determined by our decision making and behaviours and is reflected in our key corporate and community documents and strategies, our Local Code of Corporate Governance, Elected Member and Employee Codes of Conduct, Whistleblowing and anti- fraud and corruption policies, Elected Member Register of Interests, Gifts & Hospitality Policy and in our suite of policies, processes and procedures ensuring 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.
- We recognise the importance of good stakeholder engagement in redesigning and reshaping public services and we will continue to actively engage with our communities, partners and other stakeholders to ensure that our services best meet their needs. 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 Local Outcome Improvement Plan which is currently being developed with our community partners.
- In the current climate of constant change and financial challenge, Perth & Kinross Council recognise that we must adapt and evolve to be able to continue delivering cost efficient, high quality services in an increasingly complex public sector landscape. We believe that our people are our most valuable asset and that as an organisation we will secure the best outcomes for our communities by investing in the development of our workforce and our leaders to ensure that they have the right skills and have sufficient capacity to deliver. Our approach is outlined in our strategic document Building Ambition – A Workforce for the 21st Century and our “Learn, Innovate Grow” philosophy is being embedded across the organisation to create a highly motivated, skilled and flexible workforce. There is a programme of leadership development in place for our senior managers. An induction programme is in place for Elected Members and an ongoing programme will be developed in consultation with Members to ensure that it meets their needs going forward.

- The Council's Scheme of Administration sets out the role of committees in decision-making and the delegated decision-making powers of individual officers. The committees, boards and panels we have established ensure proper democratic engagement and provide an appropriate mechanism for effective decision making and accountability. As a local authority, the extent of our decision making powers are determined by statute and regulation. Our report template is designed to ensure that legal and financial checks are carried out before a report is presented for decision. It also provides that appropriate internal and external consultations and where relevant, options appraisals, ensure that decision makers are appropriately informed to determine the best course of action in the circumstances.
- The Council has developed and implemented a suite of policies, procedures and management processes to ensure that there are appropriate **internal controls** in place in respect of :-
 - Workforce Management
 - Financial management
 - Officer /Member relations
 - Performance Management
 - Change & Improvement
 - Workforce Planning
 - Risk Management
 - Procurement
 - Major Investment Project Management
 - Health & Safety
 - Information Management
 - Information Security
 - Civil Contingencies & Business Continuity
 - Anti- Fraud & Corruption
 - Conflicts of interests
 - Gifts & Hospitality
 - Whistle-blowing and reporting concerns
 - Complaints handling
 - Funding External bodies / ALEO's
- The Council believes in openness and transparency, and that as an organisation we are properly held to account 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.
- In February the Council set a two year budget (year 2 provisional). 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 Officer Team.
- The Strategic Policy & Resources Committee receives regular financial monitoring information as part of the budgetary control framework.
- Capital spend is monitored by Senior Management through the Strategic Investment Group and the Corporate Resources Group, and reported regularly to the Executive Officer Team and the Strategic Policy & Resources Committee as

part of the budgetary control framework. The Capital Programme Office monitors project milestones.

- The annual 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 Officer Team and publicly through the Council's themed committees and the Scrutiny committee. Financial performance is publicly reported through the Strategic Policy & Resources Committee and relevant service committees.
- The Council publishes an [Annual Performance Report](#) on its performance against the objectives set out within the Corporate Plan and Community Plan/Single Outcome Agreement.
- The Council's Transformation Programme is scrutinised by Service Management Teams, the Executive Officer Team and the Modernising Governance Member Officer Working Group. Progress is reported regularly to the Council's Strategic Policy & Resources Committee.
- The Council has a published process for dealing with complaints from members of the public and annually reports on performance in this respect of complaints handling
- The Council has a published process for individuals to access information under the Freedom of Information legislation and annually reports on performance in this area
- The Council has a published process for individuals to access information under the Data Protection legislation and annually reports on performance in this area

5 Governance Assurance Process

- 5.1 Assurance evidence has been gathered from Service Management Teams (SMT) by way of self-assessment questionnaires designed around the fundamental elements of good governance and the principles set on in the 2016 CIPFA Framework).
- 5.2 The evidence submitted by services has undergone a process of quality assurance and challenge through the Policy & Governance Group, which is chaired by the Head of Legal & Governance Services and comprises Senior Officers from the following divisions and representatives of each Directorate;
 - Legal
 - Finance
 - Human Resources
 - Internal Audit
 - Information Compliance & Security
 - IT and Information Systems
 - Procurement
 - Democratic Services
- 5.3 Each SMT has certified that, having considered the evidence of the financial and non-financial controls within each of their areas, they are satisfied that these are adequate

and effective subject to certain improvement actions which have been identified as part of that self-assessment process being implemented.

- 5.4 A Certificate of Assurance to this effect has been signed by each Director and their respective Depute Chief Executive.
- 5.5 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
 - Head of Democratic Services
 - Chief Internal Auditor
 - Corporate Procurement Manager
 - Information Compliance Manager
 - Corporate IT Manager
 - Corporate Procurement Manager
 - Corporate HR Manager
- 5.6 For Arms 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
 - quarterly contract monitoring meetings with Service;
 - performance information and financial monitoring reports to Service; and
 - presentations to Scrutiny Committee
- 5.7 For Tayside Contracts Joint Committee and Tayside Valuation Joint Board, reliance has been placed upon each organisation's own Annual Governance Statement.
- 5.8 For Perth & Kinross Integrated Joint Board reliance has been placed on their own Annual Governance Statement.
- 5.9 The draft Annual Governance Statement is considered by the Council's Scrutiny Committee prior to inclusion with the final draft Annual Accounts.
- 5.10 The Annual Governance Statement is considered by full Council as part of the Annual Accounts.

6 2015/16 Governance Statement : Improvement update

- 6.1 The 2015/16 AGS identified the following areas for review and/or improvement:-
 - corporate risk management
 - contract management
 - procurement / commissioning
 - information management
 - workforce planning
 - funding external bodies

6.2 Significant work has been undertaken to review process and improve internal controls in these areas. In particular :

- i. Following review and consultation the Council has agreed a new Risk Strategy and has defined its Risk Appetite. A cohort of staff from across the organisation are undertaking accredited risk management training to ensure that the new approach is implemented consistently across the Council and to support Senior Management Teams to embed effective risk management into their business processes and practices
- ii. Resource has been allocated to embedding more standard, corporate processes for routine procurement tasks to ensure consistency and improve performance. Contract Rules have been revised and a number of tools and templates have been developed to support better procurement, commissioning and contract management as part of the implementation of our Procurement Strategy
- iii. The implementation of the new General Data Protection Regulation in May 2018 requires wholesale review of our current systems and process in respect of how we gather process and manage personal data. This work is currently underway and the opportunity is being taken to develop a new information governance framework to more effectively identify and manage information risk and to realise greater benefits from information as a corporate asset.
- iv. A Corporate Workforce Plan has been developed which provides a framework for more effective workforce planning at both a corporate and an operational level. The Public Sector People Managers Association PPMA Business Workforce Dialogue Tool supports managers to think longer term and more strategically in respect of resource planning. Work is being done to embed workforce planning into our business and financial management processes.
- v. Improvements have been made to the assurance process for our arm's length external bodies in that they are now required to undertake the governance self-assessment process. A more formal structure is being put in place in respect of the role of the Scrutiny Committee in monitoring the performance of the ALEOs and contract monitoring arrangements under the Service Level Agreement are to be strengthened going forward.

7 Effectiveness of Governance Arrangements

- 7.1 Based on the assurance process outlined above, in terms of effectiveness, the Council governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework, subject to the areas identified in section 9 below.
- 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)
- 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 Depute Chief Executive (Chief Operating Officer) as the Senior Information Risk Owner with the Head of Legal & Governance Services as

Depute. Our information security measures have been reviewed in 2016/17 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 during the year.
- 7.6 We have structures in place which support constructive challenge and effective scrutiny. In particular;-
- Scrutiny Committee
 - Strategic Resources & Policy Committee
 - Themed Committees
 - Executive Officer Team
 - Corporate Management Group
 - Strategic Investment Group
 - Policy & Governance Group

8 Opinion of the Chief Internal Auditor

- 8.1 Audit activity and performance is detailed in the Annual Report by the Chief Internal Auditor for the year 2016/17. At paragraph 7.1 of that report the Chief Auditor has given the following opinion in respect of the effectiveness of the governance arrangements in place.

"In the Chief Internal Auditor's opinion, reasonable reliance can be placed on the Council's governance arrangements and systems of internal control for 2016/17, subject to management implementation of the agreed actions detailed in Internal Audit reports and summarised at Section 2 [of the Annual Report for the year 2016/17]. Whilst limited reliance can be placed on the corporate risk management arrangements in place for 2016/17, the ongoing implementation and embedding of the corporate risk management strategy should enable reasonable reliance for 2017/18."

9 Areas for continued improvement action

- 9.1 The areas referred to in 7.1 above which are the subject of continued improvement actions are:-
- to continue to review and improve contract management practices across the organisation to ensure legal compliance and best practice
 - to extend the scope of the review of information management to develop an information governance framework which ensures compliance with the new General Data Protection Regulation and better supports the Council to maximise the benefits of information as a corporate asset
 - to embed our new approach to risk management into our business and management processes to facilitate better risk based decision making to enable us to deliver our intended outcomes
 - to continue to implement our procurement strategy to ensure that our processes and practices are aligned and deliver value for money
 - to continue to develop our workforce planning to ensure that we have an adequately skilled and agile workforce equipped and motivated to meet the

challenges of delivering high quality cost efficient public services to our communities

- to further develop the scrutiny function in respect of our ALEOs to ensure better transparency and more robust accountability
- to continue to work with the Chief Officer and Chief Finance Officer of the Integrated Joint Board to further develop the governance arrangements in respect of the relationship between the IJB and the Council as a statutory partner.

10 Statement

- 10.1 The Governance Framework has been in place for the financial year ending 31 March 2017 and up to the date of approval of the Annual Accounts..
- 10.2 The Council is legally required to conduct an annual review of the effectiveness of its governance arrangements and to publish a reporting statement, known as the Annual Governance Statement, with its Annual Accounts.
- 10.3 This Statement confirms that a comprehensive review of the Council's corporate governance arrangements has been undertaken and reports on the effectiveness of its arrangements and in particular its internal controls.
- 10.4 The review has been carried out in accordance with Chartered Institute of Public Finance and Accountancy (CIPFA) Framework: Delivering Good Governance in Local Government 2016.
- 10.5 The review of the effectiveness of the Council's system of internal control and overall governance framework has been informed by different sources providing assurance and assessing risk:-
- Service Management Teams
 - Executive Officer Team
 - Chief Finance Officer
 - Monitoring Officer
 - Chief Internal Auditor
 - Policy & Governance Group
 - Internal Audit
 - External Audit
 - External agencies and inspectorates.
- 10.6 Internal Audit have provided me with assurance for the year 2016/17 and an Internal Audit plan is in place for 2017/18 that will focus on areas which have been identified as corporate or service specific risks.
- 10.7 Each Deputy Chief Executive and Director who has responsibility within the Scheme of Delegation for the development and maintenance of the system of internal control has provided me with assurance that the internal controls and governance arrangements within their service are effective and have been reviewed.
- 10.8 The Chief Financial Officer has provided assurance that the financial arrangements in place conform to the relevant CIPFA requirements and that our expenditure is lawful.

- 10.9 The Monitoring Officer has provided assurance that our governance arrangements ensure compliance with relevant laws, regulations, internal policies and procedures.
- 10.10 I have been advised of the outcome of the review of the effectiveness of the governance arrangements, as outlines above, by the Head of legal & Governance Services and am satisfied that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 10.11 Governance improvement actions will be delivered where possible through existing improvement plans and change programmes to avoid duplication of effort. A plan for the improvement activity is outlined in Appendix 1.
- 10.12 Oversight of governance improvement activity will be maintained through Corporate Management Group with support from the Policy & Governance Group who will regularly monitor progress.
- 10.13 Progress will be reported to the Council's Executive Officer Team and the Council's Scrutiny Committee.

I am also reassured by the fact that the areas identified for further development are already the work in progress. This demonstrates to me that this Council has a good understanding of our key risks and provides assurance to our communities that we are committed to continuously improving the effectiveness of our governance framework to ensure that it is fit for purpose and enables us to deliver our intended outcomes.

Signed:

Bernadette Malone
Chief Executive

Perth & Kinross Council

Date:

Ian Campbell
Leader of the Council

Perth & Kinross Council

Date: