

ANNUAL GOVERNANCE STATEMENT 2022/23**1 Purpose**

- 1.1 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)
- Perth Theatre & Concert Hall 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 The 2022 Local Government Elections brought a change of political administration within the Council and 14 new Councillors. This presented an opportunity to review and refresh our strategic vision and our leadership culture and values. During the year officers and Elected Members have engaged with our communities and worked together in partnership to develop a new Corporate Plan which reflects the strategic priorities of the new Council. The more detailed delivery plan is being developed to ensure that we deliver on those objectives and continue to provide high quality operational services.
- 4.4 An extensive induction/refresher programme of training was put in place for Elected Members following the Election and a long-term programme of personal development is being implemented. Similarly, an extensive leadership development programme is in place for officers, with a new leadership competency framework being implemented to enhance capacity and effectiveness, not only in senior leadership roles but across all levels of the organisation. To ensure that the political and executive leadership is aligned to optimise the organisation's ability to achieve its strategic outcomes, the political decision-making structures have been reviewed and revised and the operational senior leadership structure is currently being reshaped.

- 4.5 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.
- 4.6 Our Local Outcomes Improvement Plan and [Corporate Plan](#) set out our vision and purpose and have been subject to consultation and approved during the year. The Financial Strategy and approved Medium Term Financial Plan and Revenue and Capital budgets prioritise how our financial resources are to be deployed. The Transformation & Change Strategy highlights our ambition to better support the delivery of services to the people of Perth & Kinross, particularly those in the greatest need. 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 priorities and to achieve its purpose.
- 4.7 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. 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.
- 4.8 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 our most valuable assets 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](#).
- 4.9 Strategic, operational and political leadership is an integral element of effective governance. There has been an extensive programme of induction and continuous development for Elected Members, following the Election in May 2022. A programme of leadership development for our managers is also in place and a new leadership competency framework has been developed. There is an ongoing review of the current operational leadership structure to ensure that it is fit for purpose and better aligned to deliver on the strategic objectives and key priorities of the Council.
- 4.10 The Council's Scheme of Administration sets out the Council's decision-making structure in terms of roles, remits and responsibilities to ensure transparency and accountability. This has been revised to reflect the priorities and objectives of the new Council.

- 4.11 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
 - Transformation & 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
- 4.12 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.
- 4.13 The Council set a revenue budget for the year 2023/24 in March 2023, along with provisional budgets for 2024/25 and 2025/26. This revenue budget for the year demonstrated clear linkages with the Transformation & Change strategy. 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 the Finance & 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.
- 4.14 Capital spend is monitored by the Executive Leadership Team and reported regularly to the Finance & Resources Committee as part of the budgetary control framework. The Capital Programme Office monitors project milestones.
- 4.15 The Business Management & Improvement Plans set out detailed actions and outcomes for each Service and include appropriate performance indicators. Service performance is reported regularly to the Executive Leadership Team and publicly through the Council's Scrutiny & Performance Committee and relevant themed committees. Financial performance is publicly reported through the Finance & Resources Committee and relevant service committees.
- 4.16 The Council publishes an Annual Performance Report on its performance against the objectives set out within the Corporate Plan and Local Outcomes Improvement Plan. In order to improve transparency and clarity of these links, a Corporate Delivery and Improvement Plan is being developed for 2023/24.

4.17 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 accessing information under the Freedom of Information legislation
- Accessing information under the Data Protection legislation

5 Governance Assurance Process

5.1 The Council utilises a robust process of gathering assurance information from Service Management Teams, which concludes with Certificates of Assurance being signed by the Executive Directors for Education & Children's Services and Communities, the Chief Operating Officer, and the Executive Lead – Strategic Planning & Transformation.

5.2 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
- Corporate HR Manager
- Head of Innovation

5.3 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 Services
- Performance information and financial monitoring reports to Services
- Presentations and reports to Scrutiny & Performance Committee

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

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

5.6 The Annual Governance Statement is considered by the Audit & Risk Committee as part of the Annual Accounts.

6 Effectiveness of Governance Arrangements for 2022/23

- 6.1 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 9 below.
- 6.2 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).
- 6.3 Our assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010)
- 6.4 The Council has designated the Head of Legal & Governance Services as the Senior Information Risk Owner, with the Head of Corporate IT & Revenues as Depute. Our information security measures have been reviewed in 2022/23 to ensure continuing compliance with the Public Service Network (PSN) and other cyber security requirements.
- 6.5 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.
- 6.6 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 & Risk Committee
 - Scrutiny & Performance Committee
 - Finance & Resources Committee
 - Themed Committees
 - Executive Leadership Team / Extended Executive Leadership Team
 - Policy & Governance Group
 - Transformation & Change Board
 - Internal Audit
 - External Audit (presently Audit Scotland)

7 Opinion of the Chief Internal Auditor

- 7.1 Audit activity and performance will be detailed in the Annual Report by the Chief Internal Auditor for the year 2022/23 when it is presented to the Council's Audit & Risk 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 2022/23, subject to management implementation of the agreed actions detailed in Internal Audit reports.”

8 Areas for Review/Continued Improvement Action

- 8.1 The last three 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 continue to review our cyber resilience and information governance arrangements to ensure that they are fit for purpose and robust and continue to support new and innovative ways of working.
- 8.2 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 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 2022.
- 8.3 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 alignment with the Climate Change Strategy.
- 8.4 In addition to these areas, there are some specific areas which will be held under review pending the outcome of current transformation and change activity:
- Leadership culture and capacity
 - Capacity and resources to lead, develop and deliver ongoing and future programme of transformation and change
 - Implementation of the Financial Strategy to address financial deficits and pressures
 - Our approach to community engagement and empowerment
 - 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 2022/23 and an Internal Audit plan will be developed for 2023/24 that will focus on areas which have been identified as corporate or service specific risks in relation to core business and the delivery of the Council's agreed strategic priorities.

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 service improvement plans, audit plans and change programmes to avoid duplication of effort.

Our governance framework will continue to be reviewed and adapted where necessary to ensure that it remains robust and effective.

Signed:

**Thomas Glen, Chief Executive
Council**
Date

Signed:

Councillor Grant Laing, Leader of the
Date