

ANNUAL GOVERNANCE STATEMENT 2015/16

1 Introduction

- 1.1 Good governance is key to the success of Perth & Kinross Council in delivering its corporate 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 and ultimately results in better outcomes for the people living in our communities.
- 1.2 The purpose of this Governance Statement is to give assurance to the people of Perth & Kinross, our Elected Members, staff, partner agencies and other 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.

2 Scope of Responsibility

- 2.1 As a local authority, Perth & Kinross Council must conduct its business in accordance with the law and proper standards and ensure that public money is used economically, efficiently, and effectively with due regard to the achievement of sustainability.
- 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 the people of Perth & Kinross.
- 2.3 A comprehensive and robust governance framework is integral to the Council's ability to discharge these responsibilities. We must have proper arrangements in place to enable us to discharge our functions and responsibilities, achieve our defined outcomes and manage risk effectively.
- 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 four organisations that are included in the Council's Group Accounts.
 - Live Active Leisure Limited (included in our accounts as subsidiary)
 - Horsecross Arts Limited (included in our accounts as subsidiary)
 - Tayside Valuation Joint Board (included in our accounts as associate):
 - Tayside Contracts (included in our accounts as associate)

3 The purpose of the Governance Framework

- 3.1 The governance framework enables the Council to monitor and evaluate the achievement of its corporate aims and objectives and to determine whether these have delivered appropriate, efficient and cost effective services and good outcomes for our communities.
- 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 achieve our aims and objectives.
- 3.3 Our internal control system manages risk through the continuing process of identification, prioritisation, evaluation and mitigation. Risk is evaluated on the basis of likelihood and impact in both financial and non-financial terms.

- 3.4 As an organisation we have to mitigate and manage these risks proportionately and effectively, recognising that risk can never be eliminated completely and therefore only reasonable assurance can ever be given.

4 Our Governance Framework

- 4.1 Our governance framework comprises the rules, resources, systems, processes, culture and values that enable us achieve our strategic objectives and provide services in an appropriate and cost effective way.

- 4.2 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

- 4.3 These criteria are based on the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) Framework : Delivering Good Governance in Local Government and the International Framework: Delivering Good Governance in the Public Sector developed by CIPFA and the International Federation of Accountants.

- 4.4 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 and purpose is the achievement of the shared priorities and intended outcomes for the citizens of Perth & Kinross documented in our [Community Plan / Single Outcome Agreement 2013-23](#) and our [Corporate Plan](#) for 2013-18. [Building Ambition: Our Transformation Strategy](#) together with [Revenue budget 2016-2019](#), our Capital Budget and other strategic documents provides the direction to realising our vision.
- Our culture and values are reflected in everything we do as an organisation as set out in our Corporate Plan and our [Local Code of Corporate Governance](#), [Codes of Conduct](#) and our various policies and procedures ensure that as a Council we respect the rule of law, actively promote a culture of good governance and demonstrate a commitment to ethical values.
- Perth & Kinross Council recognise that as an organisation we must continue to adapt and evolve to deliver cost efficient, high quality services in an increasingly complex and financially challenging public sector landscape. Our people are our most valuable asset and we recognise that we will secure the best outcomes for our communities through investing in our workforce to ensure that they have the right skills 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.

- We continue to actively engage with our communities to help us design and deliver services which 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 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.
- 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's governance arrangements include clearly defined roles and responsibilities for all Chief Officers and Statutory Officers, including the Chief Executive, the Chief Social Worker, the Monitoring Officer and the Section 95 Officer (Chief Financial Officer).
- The Council has designated the Depute Chief Executive (Environment) Sustainability, Strategic and Entrepreneurial Development as the Senior Information Risk Owner with the Head of Legal & Governance Services as Depute.
- The Council believes in openness and transparency; our management, democratic systems and structures are designed to ensure effective decision making and to support effective scrutiny of its decision making and operational business and ensure that as an organisation we are properly held to account.

- Three year budgets are set by the Council, and 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 and the Finance & Resources Group.
- 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 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 Strategic Policy & Resources Committee.
- The Council publishes an Annual Report on its performance against the objectives set out within the Corporate Plan and Community Plan/Single Outcome Agreement. ([PKC Information, performance & Statistics](#))
- 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.
- The Council has a published process for individuals to access information under the Freedom of Information legislation.

5 Effectiveness of our framework

- 5.1 Assurance evidence has been gathered from Service Management Teams (SMT) by way of a self-assessment questionnaires designed around the principles of the *International Framework of Good Governance in the Public Sector* (developed by CIPFA and the International Federation of Accountants and *Delivering Good Governance in Local Government* (CIPFA/SOLACE).
- 5.2 The evidence submitted by services has undergone a process of quality assurance through the Policy & Governance Group, which is chaired by the Head of Legal & Governance Services and comprises Senior Officers from the following services 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
 - Senior Information Risk Owner
- 5.6 The Council's Chief Financial Officer is a key member of the Executive Officer Team of the Council helping it to develop and implement a sound financial strategy based on strong financial management underpinned by robust and effective financial controls. The authority's financial management arrangements conform to the governance requirements of the 'CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 5.7 The Council has arrangements in place for the management of information risk including an information security policy and standards. Government policy as regards the identification and assessment of threats to local authorities has changed recently and the security measures have been reviewed in 2015/16 to ensure continuing compliance with the Public Service Network (PSN) requirements.
- 5.8 A risk-based internal audit plan is prepared annually in a process which reviews all the significant activities and systems that contribute to the achievement of the Council's objectives. The Audit Committee approves the annual audit plan and receives the annual audit report. Internal Audit has completed its 2015/16 Audit plan and issued 27 planned audits plus 1 additional audit during the period covered by this statement. In addition it has delivered 7 consultancy audits.
- 5.9 The Annual Internal Audit report for 2015/16 states:
- In the Chief Internal Auditor's opinion, reasonable reliance can be placed on the Council's governance arrangements and systems of internal control for 2015/16, subject to management implementation of the agreed actions detailed in Internal Audit reports..... Whilst limited reliance can be placed on the corporate risk management arrangements for 2015/16, the implementation of the identified improvements should enable reasonable reliance for 2016/17.*
- 5.10 The Local Area Network comprising key scrutiny bodies which engage with the Council (including Audit Scotland) have assessed Perth and Kinross within their Assurance

and Improvement Plan 2014-17, as a “*low risk council which shows good self-awareness and demonstrates a positive response to external scrutiny*”. In addition the risk assessment notes that “*currently for 2014 to 2017 no additional specific scrutiny activity has been identified*”.

5.11 The Governance Framework has been in place for the financial year ending 31 March 2016 and up to the date of approval of the Annual Report and statement of accounts.

5.12 For Live Active Leisure Ltd and Horsecross Arts Ltd, reliance has been placed upon:

- unaudited financial statements of the companies (audited accounts will be scrutinised when available);
- internal control information taken from the Council's contract with Live Active Leisure Ltd and the Service Agreement with Horsecross Arts Ltd;
- quarterly contract monitoring meetings with Service;
- performance information and financial monitoring reports to Service; and
- presentations to Scrutiny Committee

5.13 For Tayside Contracts Joint Committee and Tayside Valuation Joint Board, reliance has been placed upon each organisation's own Annual Governance Statement.

5.14 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 a number of areas (identified below) which have been or are already identified for some improvement action by virtue of :

- this process;
- internal audit actions;
- external audit actions; or
- transformation reviews

5.15 The areas referred to in 5.14 above which are the subject of current or planned improvement actions are :-

- corporate risk management
- contract management
- procurement / commissioning
- information management
- workforce planning
- funding external bodies

5.16 In addition to the above, the establishment of the Integrated Joint Board which took responsibility for the delivery of integrated health and adult social care services within Perth & Kinross as of 1 April 2016 will likely present a number of new challenges as we implement our new joint governance arrangements.

5.17 Similarly the implementation of the Community Empowerment Act and the establishment of locality based community planning boards may require some changes to be made to our existing governance arrangements, to ensure adequacy and transparency.

5.18 It is important that our decision making processes continue to be agile enough to ensure that key decisions can be made and actions implemented timeously to align with agreed project plans.

6 Statement

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:-

- internal audit;
- external audit;
- Council's Executive Officer Team
- Council's Corporate Management Team as part of this assurance process;
- Policy & Governance Group
- Head of Finance (as Chief Finance Officer)
- Head of Legal & Governance Services (as Monitoring Officer)
- external review agencies and inspectorates.

Internal Audit have provided me with assurance for the year 2015/16 and an Internal Audit plan is in place for 2016/17 that will focus on areas which have been identified as corporate or service specific risks.

Each Deputy Chief Executive, Director and Head of Service, 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.

The Chief Financial Officer has provided assurance that the financial arrangements in place conform to the relevant CIPFA requirements.

I have been advised of the outcome of the review of the effectiveness of the governance arrangements 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.

A Governance Improvement Action Plan will be produced to address the areas identified for review or development. This will ensure that adequate and appropriate systems and processes are in place to improve the effectiveness of our governance arrangements.

Oversight of implementation of the action plan will be maintained corporately through the Policy & Governance Group. Progress will be reported to the Council's Executive Officer Team and the Council's Scrutiny Committee

The key areas for improvement identified during the annual review include:

- reviewing our corporate approach to risk to support the organisation to be more, innovative and entrepreneurial through a better understanding and tolerance of risk
- reviewing our contract management practices to ensure that we are achieving best value from our arrangements
- continue to review our procurement activities to ensure that these align with our Procurement Strategy and deliver value for money
- continue to improve our information management to ensure that we make more effective use of Open Data and business information to improve services and provide greater transparency for our stakeholders

- 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
- reviewing our arrangements for the funding of external bodies who provide services, to ensure transparency and compliance with current procurement legislation
- implementing robust governance arrangements to provide assurance in respect of our relationship with the Integrated Joint Board for the delivery of integrated health and social care services

I am also reassured by the fact that the areas identified for further development outlined above are already the subject of ongoing or planned reviews by virtue of audit recommendations or transformation projects. This demonstrates to me that, as an organisation we have a good understanding of our changing risk landscape and 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.

Signed:

Bernadette Malone
Chief Executive

Perth & Kinross Council

Date:

Ian Miller
Leader of the Council

Perth & Kinross Council

Date: