
ANNUAL GOVERNANCE STATEMENT 2014/15

Report by Chief Executive

AUDIT & RISK COMMITTEE

11 May 2015

1 PURPOSE AND SUMMARY

- 1.1 **This report proposes that the Audit & Risk Committee considers and approves the Annual Governance Statement that will be published in the Statement of Accounts 2014/15 of Scottish Borders Council.**
- 1.2 The CIPFA/SOLACE framework 'Delivering Good Governance in Local Government' urges local authorities to review the effectiveness of their existing governance arrangements against their Local Code, and prepare a governance statement in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.
- 1.3 Part of the Audit & Risk Committee's remit is to assess the effectiveness of internal controls, risk management, and governance arrangements in place and this includes to 'Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the authority's objectives'¹.
- 1.4 The Annual Governance Statement 2014/15 at Appendix 1 details the Governance Framework including the key elements of the Council's governance arrangements and the Review Framework outlining the annual review process, overall opinion and areas of further improvement.
- 1.5 In terms of overall corporate governance it is the Chief Executive's opinion that, although there are a few areas of work to be completed for full compliance with the Local Code, the overall governance arrangements of the Council are considered sound. The Annual Governance Statement is informed by the self-assessment of compliance against the Local Code by the officer self-evaluation working group, the work of internal audit, external audit and inspection agencies, and by Depute Chief Executives and Service Directors assurance statements. This statement will be published in the Statement of Accounts 2014/15.

2 RECOMMENDATIONS

- 2.1 **I recommend that the Audit & Risk Committee considers the details of the Annual Governance Statement at Appendix 1, and approves the actions identified by Management to improve internal controls and governance arrangements.**

¹ CIPFA guidance note for local authorities 'Audit Committees' (2013)
Audit & Risk Committee 11 May 2015

3 BACKGROUND

- 3.1 Scottish Borders Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council approved a revised local code of corporate governance ('Local Code') on 23 February 2012, consistent with the principles and requirements of the new CIPFA/SOLACE framework 'Delivering Good Governance in Local Government' (the 'Framework') to ensure proper arrangements are in place to continue to meet that responsibility.
- 3.2 The 'Framework' urges local authorities to review the effectiveness of their existing governance arrangements against their 'Local Code', and prepare a governance statement on an annual basis in order to report publicly on the extent to which they comply with their own code, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.
- 3.3 Part of the Audit Committee's remit is to assess the effectiveness of internal controls, risk management, and governance arrangements in place and this includes to 'Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the authority's objectives'².

4 ANNUAL GOVERNANCE STATEMENT

- 4.1 In March and April 2015 the officer self-evaluation working group on corporate governance has undertaken an annual self-assessment of the effectiveness of internal control and governance arrangements and compliance against the Local Code for the year ended 31 March 2015. This group has responsibility for monitoring compliance with the Local Code and making recommendations to ensure continuous improvement of the systems in place. The Chief Officer Audit & Risk has led on this process as part of HIA³ role to be champion for sound governance.
- 4.2 The Annual Governance Statement 2014/15 at Appendix 1 sets out the Governance Framework including the key elements of the Council's governance arrangements as set out in the Local Code which has been updated to reflect the strategic developments and changes to governance within the year including SB Cares and Health and Social Care integration programme. It also sets out the Review Framework outlining the annual review process, overall opinion and areas of further improvement to enhance governance arrangements.
- 4.3 In terms of overall corporate governance it is the Chief Executive's opinion that, although there are a few areas of work to be completed for full compliance with the Local Code, the overall governance arrangements of the Council are considered sound. The Annual Governance Statement is informed by the self-assessment of compliance against the Local Code by the officer self-evaluation working group, the work of internal audit, external audit and inspection agencies, and by Depute Chief Executives and Service Directors assurance statements. This statement will be published in the Statement of Accounts 2014/15.

² CIPFA guidance note for local authorities 'Audit Committees' (2013)

³ CIPFA 'the role of the head of internal audit in public service organisations' (2010)

5 IMPLICATIONS

5.1 Financial

(a) There are no direct financial implications arising from this report.

5.2 Risk and Mitigations

(a) The Annual Governance Statement details areas where additional work would further enhance the internal control environment, risk management, and corporate governance arrangements. Implementing this work will ensure that internal controls, risk management, and other governance arrangements remain adequate.

5.3 Equalities

(a) It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religious/belief arising from the work contained in this report.

5.4 Acting Sustainably

(a) There are no direct economic, social or environmental issues with this report.

5.5 Carbon Management

(a) There are no direct carbon emissions impacts as a result of this report.

5.6 Rural Proofing

(a) This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

5.7 Changes to Scheme of Administration or Scheme of Delegation

(a) No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

6 CONSULTATION

6.1 The annual self-assessment completed in March and April 2015 by the officer self-evaluation working group on effectiveness of internal control and governance and compliance against the Local Code of Corporate Governance and associated assurance statements received from Depute Chief Executives and Service Directors within the Council have been taken into account when compiling the Annual Governance Statement.

6.2 The Corporate Management Team has been consulted on the report and any comments received have been incorporated into the report.

6.3 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Human Resources, and the Clerk to the Council have been consulted on the report and any comments received have been incorporated into the report.

Approved by

Chief Executive, Tracey Logan

Signature

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk Tel: 01835 825036

Background Papers: CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'; Scottish Borders Council Local Code of Corporate Governance

Previous Minute Reference: Scottish Borders Council 23 February 2012; Audit Committee 21 April 2014

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Jill Stacey, Chief Executive's Directorate can also give information on other language translations as well as providing additional copies.

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Annual Governance Statement 2014/15

Introduction

Scottish Borders Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a statutory duty of Best Value under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement and performance, while maintaining an appropriate balance between quality and cost; and in making these arrangements and securing that balance, to have regard to economy, efficiency and effectiveness.

In discharging this overall responsibility, elected members and senior officers are responsible for putting in place proper arrangements for the governance of Scottish Borders Council's affairs and facilitating the exercise of its functions. This includes setting the strategic direction, vision, culture and values of the Council, effective operation of corporate systems, processes and internal controls, engaging with communities, monitoring whether strategic objectives have been achieved and services delivered cost effectively and ensuring that appropriate arrangements are in place for the management of risk.

To this end, the Council has approved and adopted a Local Code of Corporate Governance which is consistent with the principles and recommendations of the CIPFA/SOLACE framework Delivering Good Governance in Local Government and the supporting guidance notes for Scottish authorities. A copy of our Local Code of Corporate Governance is available on the Council's website at www.scotborders.gov.uk.

This Annual Governance Statement explains how the Council has complied with the terms of the Local Code for the year ended 31 March 2015. The statement also covers relevant governance issues as they affect those entities included as part of the Council's Group Accounts.

The Governance Framework

The Council's Local Code of Corporate Governance provides the framework against which compliance is measured. This Local Code sets out the key principles, which require to be complied with, to demonstrate effective governance.

The key elements of the Council's governance arrangements as set out in the Local Code include:

- The Council has a Single Outcome Agreement in place agreed with the Scottish Government and Scottish Borders community planning partners. The Council's vision, strategic objectives and priorities are reflected in the Council's Corporate Plan and the Single Outcome Agreement which are approved by Council and published on the Council's website.
- The Council has an approved Performance Management Framework in place to enable progress to be monitored against the Council's Corporate Plan and Priorities, Single Outcome Agreement, and associated Service Business Plans and Financial Plans and to ensure it reports publicly on its performance.
- The Council responds to findings and recommendations of external audit, scrutiny and inspection bodies and its own independent internal audit section. The Audit & Risk Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.
- The Council seeks community views on a wide range of issues and undertakes regular consultation and engagement with citizens and service users.
- The Council's system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. In particular, the system includes annually approved revenue and capital financial plans, medium term financial planning, setting and monitoring targets to measure financial performance, and regular reviews of periodic and annual financial reports which indicate financial performance against budgets.

- The Council is committed to the delivery of efficiencies through its transformation programme with the objective to deliver efficient and effective services to customers, whilst maintaining a robust control environment. On an annual basis it identifies efficiency savings to be made within the financial plans, and monitors their achievement on a regular basis.
- The Council is currently undertaking two significant strategic developments involving different structures for delivering its services. Firstly, from 1 April 2015 delivery of the Council's adult care services transferred to SB Cares, a wholly owned subsidiary as a Limited Liability Partnership. Secondly, a feasibility study of options for Cultural services is underway including an option for an integrated sports and culture trust.
- The Council fosters relationships and partnerships with other public, private, and voluntary organisations in delivering services that meet the needs of the local community. Significant work has been undertaken to develop the governance arrangements in respect of the Health and Social Care integration programme with the appointment of the Chief Officer for Health and Social Care Integration in July 2014, the submission of the final Scheme of Integration to Scottish Ministers on 31 March 2015, the establishment of an Integration Joint Board with effect from 2 April 2015, and the commencement on the development of the strategic plan which will become live on 1 April 2016.
- The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in procedural standing orders, scheme of administration, scheme of delegation, and financial regulations which are regularly reviewed and revised where appropriate.
- In 2014 a new corporate management structure was implemented. Alongside the existing Chief Executive, this created two Depute Chief Executive posts and twelve service directors. In addition there were a number of changes lower down the organisational hierarchy. The roles of officers are defined in agreed job descriptions. Staff performance is reviewed on an annual basis in accordance with the performance review and development (PRD) process.
- The Chief Executive is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/support to inform decision-making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.
- The Chief Social Work Officer (CSWO) provides the Council with professional advice on the discharge of her statutory social work duties. She promotes values and standards of professional practice and acts as the 'agency decision maker' taking final decisions on a range of social work matters including adoption, secure accommodation, guardianship, etc. The CSWO presents an account of this work in an annual report to Council. The report also gives an overview of regulation and inspection, workforce issues and social policy themes over the year and highlights some of the forthcoming challenges.
- The Chief Financial Officer (the Section 95 officer) is responsible for the proper administration of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters, keeping proper financial records and accounts, and maintaining an effective system of internal financial control under the terms of the financial regulations.
- The Service Director Regulatory Services (the Monitoring Officer) is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. In line with the Council's Monitoring Officer Protocol, an annual report is presented to the Standards Committee on councillors' compliance with the ethical standards framework.
- The Chief Officer Audit & Risk (Head of Internal Audit (HIA)) reports administratively to the Service Director Strategy & Policy, reports functionally to the Audit & Risk Committee, meets regularly with the Chief Financial Officer, and has direct access to the Corporate Management Team. The HIA reports in her own name and retains final edit rights over all internal audit reports and provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance based on the delivery of an approved plan of systematic and continuous internal audit review of the Council's arrangements.

- The Council has reviewed and refreshed its risk management policy and approach whose main priorities are the robust systems of identification, evaluation and control of risks which threaten the Council's ability to meet its objectives to deliver services to the public.
- The Council has in place business continuity plans which set out the arrangements to ensure it can continue to deliver critical services if an incident of any kind occurs, has in place emergency plans to ensure it responds to any civil emergency in a way which meets the expectations of the Borders community, and is leading a Resilient Communities Initiative to enable communities working together in emergencies.
- The Council has reviewed and refreshed its proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably.
- The scheme of members' remuneration sets out the terms of remuneration of elected members. Details of all members' allowances and expenses are published.
- Personal development plans for elected members are being developed and these will be periodically supplemented by additional training further to the comprehensive Induction programme. Members appointed to certain committees have also received specific training related to the responsibilities on these committees e.g. licensing, planning, audit, pensions, employment.
- Codes of conduct are in place for, and define the standards of behaviour expected from, elected members and officers to make sure that public business is conducted with fairness and integrity.
- A range of systems and procedures are in place to ensure that elected members and employees are not influenced by prejudice or conflicts of interest in dealing with our citizens. A register of elected members' interests is maintained and published on the Council's website.

Review of Framework

The Council conducts an annual review of the effectiveness of its overall governance framework which is presented to the Audit & Risk Committee whose role includes high level oversight of the Council's governance, risk management, and internal control arrangements.

The review is informed by the work of an officer self-evaluation working group on corporate governance which undertakes an annual self-assessment against the Council's Local Code of Corporate Governance. This group has responsibility for monitoring compliance with the Local Code and making recommendations to ensure continuous improvement of the systems in place.

The review is also informed by assurances from the depute chief executives and service directors who have responsibility for the development and maintenance of the governance environment within their departments and services and who in turn identify actions to improve governance at a departmental level, the Chief Officer Audit & Risk's annual report on the work of internal audit and independent opinion on the adequacy and effectiveness of the systems of internal control and governance, and by comments made by external auditors and other external scrutiny bodies and inspection agencies.

The conclusion from the review activity outlined above is that in 2014/15 the Council continued to demonstrate that the governance arrangements and framework within which it operates are sound and effective.

The review has however identified a number of areas where further improvement in our governance arrangements can be made to ensure full compliance with our Local Code:

- (a) The ongoing implementation of recommendations made by Internal Audit, External Audit and other external scrutiny and inspection bodies relating to internal control and governance, with particular emphasis on prompt implementation of high priority recommendations.
- (b) Further implementation of approved governance arrangements associated with the Integration programme for Health & Social Care, ensuring delivery of structural reforms in local authority and NHS services in compliance with new legislation and regulations.

- (c) In light of the ongoing significant challenges in addressing cost pressures and responding to the changes in government funding: (i) ensuring that financial, workforce and business plans are aligned to the Council's corporate plan and priorities, (ii) ensuring that options are fully appraised for alternative models and structures to enable delivery of efficient and effective services to customers in a sustainable way, and (iii) continuing to implement the welfare reform programme.
- (d) Ongoing implementation of the Performance Management Framework to ensure performance measurement accurately and effectively linked to the delivery of the Single Outcome Agreement and the Council's Corporate Plan and Priorities informs improvement activity and decision making.
- (e) Development and application of appropriate self-assessment processes in all Council services as a self-evaluation tool to demonstrate achievement of Best Value.
- (f) Evaluation of the new Committee structure arising from the 2014 review within 12 months of its operation to assess the effectiveness of elected member scrutiny of plans and performance.
- (g) Ongoing development of written guidelines and procedures of the key financial planning, management and administration processes linked to the Financial Regulations and provision of financial training to managers and budget holders across the whole Council.
- (h) Consistent application across all the activity in the Corporate Transformation Programme of the demonstrated key success factors including the robust definition of Business Case and Benefits, Return on Investment, and Programme and Change Management to ensure there is confidence of the delivery of improvements and savings.
- (i) Ensuring comprehensive information management across the Council and within each department in all relevant aspects of service delivery through appropriate awareness of and adherence to procedures, practices and guidelines to ensure full compliance with legislation and regulations.
- (j) Monitoring and review to ensure there is a consistent approach to staff performance review and development (PRD) in all Council services, and roll out workforce planning and succession planning across the Council as part of its people management arrangements.
- (k) Capturing compliments and other comments to gather a wide range of feedback from service users to complement the arrangements in place for dealing with complaints.
- (l) Reviewing strategic asset management plans to inform investment in assets and infrastructure to ensure they are fit for the future and enhancing ongoing delivery of capital programmes and projects linked to corporate transformation programme.

These actions to enhance our governance arrangements in 2015/16 are incorporated where appropriate within the Council's business plans and their implementation and operation will be monitored in order to inform our next annual review.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Scottish Borders Council's systems of internal control and governance. Although areas for further improvement have been identified the annual review demonstrates sufficient evidence that the Council's Local Code of Corporate Governance is operating effectively and that the Council complies with that Code in all significant respects.

Tracey Logan
Chief Executive
mm 2015

Councillor David Parker
Leader of the Council
mm 2015