

## **Annual Governance Statement 2017/18**

### **Introduction**

The Annual Governance Statement explains how the Council has complied with the terms of the new CIPFA/SOLACE Framework (2016) for the year ended 31 March 2018, sets out the Council's governance arrangements and system of internal control, and reports on their effectiveness. The statement also covers relevant governance matters as they affect those entities included as part of the Council's Group Accounts.

### **Scope of Responsibility**

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 in a timely, inclusive, open, honest and accountable manner. This includes setting the strategic direction, vision, culture and values of the Council, effective operation of corporate systems, processes and internal controls, engaging with and, where appropriate, lead 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.

The system can only provide reasonable and not absolute assurance of effectiveness.

### **Framework for Good Governance**

The overall aim of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (Spring 2016) (the 'Framework') is to ensure that: resources are directed in accordance with agreed policy and according to priorities; there is sound and inclusive decision making; and there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The 'Framework' defines the seven core principles of good governance, namely:

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

Revisions were required to the Council's Local Code of Corporate Governance during 2016/17 to ensure it reflects the changing context of Scottish Borders Council and is consistent with the principles and recommendations of the 'Framework' and the supporting guidance notes for Scottish authorities (November 2016). This was approved by Council on 24 August 2017 on recommendation by Audit and Scrutiny Committee in June 2017 and a copy of the Local Code of Corporate Governance was published on the Council's website.

## **The Governance Framework**

The Council's Local Code of Corporate Governance sets out the framework and 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:

### **A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law**

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.

Codes of conduct are in place for, and define the high ethical values and standards of behaviour expected from, elected members and officers to make sure that public business is conducted with fairness and integrity.

The Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. An annual report is presented to the Standards Committee on councillors' compliance with the ethical standards framework.

The Council seeks feedback from the public through its complaints and comments procedures for Corporate and Social Work (statutory) service areas, responds to the outcomes, as appropriate, and reports the results annually.

Professional advice on the discharge of statutory social work duties is provided to the Council by the Chief Social Work Officer (CSWO). The CSWO 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.

### **B. Ensuring openness and comprehensive stakeholder engagement**

Council meetings are held in public unless there are good reasons for not doing so on the grounds of confidentiality.

Unless confidential, decisions made by Council, the Executive Committee or other Committees are documented in the public domain. All decisions are explicit about the criteria, rationale and considerations used. The impact and consequences of all decisions are clearly set out.

The Council seeks community views on a wide range of issues and undertakes regular consultation and engagement with citizens and service users, for example via Citizen Space. The Scottish Borders CPP Community Engagement Framework (2015) sets out principles for engagement and the Toolkit shares best practice methods.

### **C. Defining outcomes in terms of sustainable economic, social, and environmental benefits**

The Community Planning Partnership (of which the Council is a partner) has a Community Plan approved November 2017 (the Local Outcomes Improvement Plan (LOIP)) underpinned by 5 Locality Plans which are being developed through Area Partnerships for approval in 2018. The Council's vision, strategic objectives and priorities underpinned by the Strategic Assessment are reflected in the new Corporate Plan 2013-2018 approved February 2018 which suggests where individuals, families, businesses, partners and communities can "play their part" to improve outcomes for the Scottish Borders #YourPart.

Asset management planning (which is under development) and capital investment is structured to consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. The Council has put arrangements in place to comply with key elements of the Community Empowerment Act.

Equalities as well as environmental and rural implications are considered during the decision making process to promote fair access to services.

### **D. Determining the interventions necessary to optimise the achievement of the intended outcomes**

Decision makers receive detailed information indicating how intended outcomes would be achieved together with the risks, financial and other implications associated with the proposals, by way of the compulsory sections of the Committee report.

In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders. Community benefit is an important consideration in the procurement of goods and services.

The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of the local community as stated in the Council's Corporate Plan.

**E. Developing the entity's capacity, including the capability of its leadership and the individuals within it**

The corporate management structure consists of the Chief Executive and nine Executive/Service Directors. The roles of officers are defined in agreed job profiles. Staff performance is reviewed on an annual basis in accordance with the performance review and development (PRD) process in place during the year but subject to review and change.

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 Elected Members Development Programme includes the comprehensive Induction programme which is periodically supplemented by additional training and an annual programme of learning and development and briefings. Members appointed to certain committees have also received specific training related to the responsibilities on these committees e.g. licensing, planning, audit, pensions, employment.

**F. Managing risks and performance through robust internal control and strong public financial management**

The Council which has overall responsibility for directing and controlling the organisation has approved an Executive / Scrutiny model of decision making. The Executive Committee is the key decision-making and monitoring committee and the Audit and Scrutiny Committee (Scrutiny function) for reviewing policy decisions.

The Council has a 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 Chief Financial Officer (the Section 95 officer) is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.

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.

The Council has a 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.

A Medium Term Financial Strategy, and associated Risk Register, and plans for revenue (5-year) and capital (10-year) based on corporate priorities are developed, led by the Corporate Management Team, and presented for approval by Council in February each year, along with the Corporate Transformation Programme proposals.

Revenue and Capital Budget Monitoring reports are presented to the Executive Committee on a quarterly basis for monitoring and control purposes including the annual outturn. The Management Commentary in the Statement of Accounts provides financial and other performance information regarding the operation of the Council, its wider achievements and areas for development.

**G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

The Chief Officer Audit & Risk (Chief Audit Executive) provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance based on work carried out by an in-house Internal Audit team in conformance with the Public Sector Internal Audit Standards. The audit opinion within the Internal Audit Annual Assurance Report 2017/18 states that the systems of internal control and governance are operating satisfactorily, reasonable assurance can be provided on their adequacy, and further improvements have been agreed by Management. Resources have been deployed to address issues with new Business World ERP system, including delays in delivery of some functionality, and to establish manual controls, where appropriate, in the interim. The Project Board monitors realisation of expected business benefits.

The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies including associated Action Plans for improvement. The Audit and Scrutiny Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

## **Review of Framework**

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

The review was informed by the work of an officer Governance Self-Assessment Working Group which undertook an annual self-assessment against the Council's Local Code of Corporate Governance consistent with the principles and recommendations of the 'Framework'. 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 was also informed by assurances from: the Executive / Service Directors, who have responsibility for the development and maintenance of the governance environment within their directorates and services and who in turn identify actions to improve governance at a strategic level; the Chief Officer Audit & Risk's annual assurance report on the work of Internal Audit and independent opinion on the adequacy and effectiveness of the systems of internal control and governance; and comments made by External Auditors and other external scrutiny bodies and inspection agencies.

The conclusion from the review activity outlined above is that in 2017/18 the Council continued to demonstrate that the governance arrangements and framework within which it operates are sound and effective, and are consistent with the principles and recommendations of the 'Framework'.

The Chief Financial Officer has highlighted one exception in his assurance statement being the ongoing rectification plan to address deficiencies in the Business World ERP system and the delayed delivery of outstanding functionality, specified in Solution Design Documents, and intended to deliver significant business benefits which remain outstanding, have impacted upon the full effectiveness of the control environment and heightened risk of a control failure during the year. To mitigate this risk, as far as is possible, staff resources have consequently been deployed to sorting defects, performing manual reconciliation processes to address areas where system functionality has not been operating effectively for much of the year e.g. bank reconciliation, and resolving system generated errors. This has required significant manual effort, a series of workarounds, and the procurement of additional consulting time.

## **Improvement Areas of Governance**

The collective review activity outlined above has identified the following areas where further improvement in governance arrangements can be made to enhance compliance with the Local Code:

- 1) In light of the on-going significant challenges in addressing cost pressures and responding to the changes in government funding: (i) continue to ensure that financial, people and business plans are developed concurrently and continue to be aligned to the Council's Corporate Plan and priorities thus managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available; and (ii) continue to monitor the contract performance outcomes of strategic external service providers.
- 2) Review and refresh of the Performance Management Framework to ensure it aligns with the new Corporate Plan and informs improvement activity and decision making. This will include the full application of appropriate and proportionate self-assessment processes in all Council services as a self-evaluation tool to demonstrate achievement of Best Value, acting as a focus for evidencing value for money in service provision and linked to financial, people and business planning.
- 3) The ongoing implementation of the rectification plan to address deficiencies in the Business World ERP system and the delayed delivery of outstanding functionality, specified in Solution Design Documents, and subsequent review of Financial Regulations, policies, procedures and guidelines of the key financial planning, management and administration processes linked to the Financial Regulations and of the HR procedures and guidelines associated with the implementation of the new Business World ERP System.

- 4) Prioritisation of Corporate Transformation Programme and other Projects to ensure adequate resources are appropriately allocated and that there is confidence in the delivery of improvements and savings to enable delivery of efficient and effective services to customers in a sustainable way.
- 5) Implementation of further actions to ensure comprehensive data and information management across the Council and within each Service 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, both current and planned e.g. GDPR.
- 6) Review of the Complaints Handling Procedure to ensure consistency of approach across the Council for dealing with complaints including raising staff awareness of customer care.
- 7) Implementation of the Corporate Landlord Model (one of the Corporate Transformation Programmes) that underpins the development and implementation of a standardised framework for reviewing strategic asset management plans to inform investment in assets and infrastructure to ensure they are fit for the future.

These actions to enhance the governance arrangements in 2018/19 are incorporated where appropriate within the Council's service directorate business plans and their implementation and operation will be driven and monitored by the Corporate Management Team in order to inform the next annual review. Internal Audit work planned in 2018/19 is designed to test improvements and compliance.

### **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 Local Code in all significant respects.

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Tracey Logan  
Chief Executive  
mm 2018

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Councillor Shona Haslam  
Leader of the Council  
mm 2018