

# Annual Governance Statement 2022/23

## Introduction

The Annual Governance Statement explains how the Council has complied with the terms of the CIPFA/SOLACE Framework (2016) for the year ended 31 March 2023, sets out the Council's governance arrangements and systems 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, leading 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) 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 CIPFA/SOLACE 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.

The officer Governance Self-Assessment Working Group, on behalf of the Council Management Team (CMT), engaged in the review and update of the Council's Local Code of Corporate Governance during the latter half of 2022, and considered one Local Code principle at a time.

The updated Local Code of Corporate Governance for Scottish Borders Council, which is consistent with the principles and recommendations of the CIPFA/SOLACE Framework and the supporting guidance notes for Scottish authorities (November 2016), was approved by Council on 30 March 2023. This ensures it continues to be relevant in the ever-changing operating environment and sets out the framework of governance and control for the conduct of the Council's business to be a value-added tool for members and officers of the Council.

## **The Governance Framework**

The key elements of the Council's governance arrangements, as set out in the Council's Local Code of Corporate Governance, 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, financial regulations, and procurement and contract standing orders which are regularly reviewed and revised where appropriate.

Codes of conduct supplemented by policies and protocols 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.

Professional advice on the discharge of statutory social work duties is provided to the Council by the Chief Social Work and Public Protection 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 Committee meetings are held in public, unless there are good reasons for not doing so on the grounds of confidentiality, are live-streamed and recordings are stored for 180 days to ensure public access.

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 to enable consistency, cost effectiveness and transparency.

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

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

The Community Planning Partnership, of which the Council is a partner, has an approved Community Plan as the Local Outcomes Improvement Plan (LOIP), underpinned by 5 Locality Plans. The Council's vision, strategic objectives, priorities and outcomes are reflected in the approved Council Plan, to outline the direction it wished to take and to inform Service strategies, policies and plans based on priorities and outcomes to respond to the aspirations and expectations of its citizens.

Asset management planning (which continues to be developed) 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.

Integrated Impact Assessments as well as the Climate Change, Sustainable Development and Rural Proofing implications of proposals are considered during the decision making process to promote fair access to services and the Council's commitment to sustainability.

### **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 implications associated with the proposals covering financial, risks and mitigations, integrated impact assessment, sustainable development goals, climate change, rural proofing, data protection impact statement, and changes to schemes, 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.

The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in planning and delivering services that meet the needs of the local community as stated within the priorities and outcomes in the Council Plan. Community benefit is an important consideration in the procurement of goods and services.

Corporate strategies and change programmes, including the Digital Strategy and the Corporate Transformation Programme, set out far-reaching programmes of change and investment in digital technology to enable the Council to respond to unprecedented social, demographic and economic challenges and still deliver high quality and improved services to its citizens at reduced cost through new ways of working and operational efficiency.

#### **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 (interim from July 2022 due to departure of previous postholder; permanent appointment made in January 2023 following external recruitment process) and eight Directors (two of which are Acting/Interim roles with plans for their permanent recruitment). The roles of officers are defined in agreed job profiles. The Appraisal and Competency Framework in place for all employees is to set individual goals and development plans, and assess performance on an annual basis, as part of the People Plan aligned to the Council Plan priorities and outcomes. All Directors have had an Appraisal and have objectives set in alignment with the Council Plan.

The Chief Executive as a statutory post is responsible and accountable to the Council for all aspects of management, including implementing strategy and leading the delivery of services and other outputs set by members, promoting sound governance, supporting other statutory officers, and building relationships with all Councillors.

The Elected Members Induction Programme is supplemented by an ongoing programme of learning and development (including e-learning, seminars and courses) and briefings. Members appointed to certain committees also receive specific training related to the responsibilities on these committees e.g. licensing, planning, audit, pensions, employment.

The Council has put arrangements in place to comply with key elements of the Community Empowerment Act, and recognises the importance of building community capacity and volunteering as a key factor in building stronger, safer, and supportive communities.

#### **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 performance monitoring committee and the Scrutiny and Petitions Committee (Scrutiny function) for reviewing policy decisions. The role of the Audit Committee is to have high-level oversight of internal control, governance and risk management.

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 Acting 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. It is based upon the national counter fraud standard CIPFA's Code of Practice on 'Managing the Risk of Fraud and Corruption'.

A Long Term Financial Strategy, and associated Risk Register, and 10-year revenue and capital plans aligned to the priorities and outcomes in the Council Plan are developed and presented for approval by Council in February each year.

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.

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

Quarterly Performance Reports (Annual Performance Report within Quarter 4 report) are presented to the Executive Committee for monitoring and control of the achievement of strategic priorities and key performance indicators, and outlining progress against Council Plan milestones.

The independent and objective audit opinion of the Chief Officer Audit & Risk (Chief Audit Executive) on the effectiveness of the Council's internal control, risk and governance arrangements is stated within the Internal Audit Annual Assurance Report. This is based on work carried out by an in-house team in conformance with the Public Sector Internal Audit Standards (PSIAS) to fulfil statutory Internal Audit provision with regular reports presented to Audit Committee during the year.

The Accounts Commission appoints the External Auditors of the Council on a 5-year appointment: Audit Scotland have been appointed as the External Auditors for 2022/23 – 2026/27.

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 Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control, risk and governance. The Audit Committee undertakes its functions in compliance with the CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition, including the production of an annual report on the performance of the Audit Committee against its remit for submission to the Council.

The Annual Report and Accounts, incorporating a Management Commentary, provides financial and other performance information regarding the operation of the Council, its wider achievements and areas for development. The Annual Accounts and Report is produced in accordance with statutory guidance and deadlines within relevant accounting regulations, presented for review by the Audit Committee prior to submission to Council for approval.

### **Annual Review of Adequacy and Effectiveness of the Council's Governance Framework**

An annual review of the adequacy and effectiveness of the Council's overall governance framework has been carried out. The output is this Annual Governance Statement which is presented to the Audit Committee.

The review was informed by assurances from the:

- Governance Self-Assessment Working Group;
- Directors, including the completion of comprehensive evidence within a checklist to assess compliance with the seven core principles of good governance and the financial regulations;
- Internal Audit annual opinion stated within the Annual Assurance Report 2022/23 and recommendations made during the year; and
- Comments and recommendations made by External Auditors and other external scrutiny bodies and inspection agencies.

The conclusion from the review activity outlined above is that in 2022/23 the Council continued to demonstrate improvements to its governance arrangements by way of progressing the implementation of actions associated with the 10 improvement areas of governance within the previous year's annual governance statement.

A progress update on the implementation of the Best Value Audit Implementation Plan that underpins the seven recommendations (nos. 1-7 Improvement Areas of Governance stated in 2021/22) has been reviewed by the Council Management Team and has been presented to the Audit Committee on 13 March 2023. The 40-point Action Plan had been developed by the Council to address the 7 improvement recommendations made in the Best Value audit. The update stated that 39 of 40 actions had been completed and the one remaining action (Elected Members' survey) is scheduled to take place in June 2023. This evidenced that the work on Best Value audit recommendations was complete, while next steps will be embedding performance management across the Council.

In respect of the other three Improvement Areas of Governance identified by the Council in 2021/22 (nos. 8-10), there have been developments during the year. Specifically: the refocussed digital transformation programme to maximise investment in digital advancements; Management agreement to reintroduce Departmental Delivery Plans for 2023/24 to demonstrate alignment with the Council Plan consistently for all Service areas and enhance performance information within the refreshed Performance Management Framework; and review and updates of some service and corporate policies, procedures and guidelines. These improvement areas of governance are not fully implemented and therefore continue to be noted in the section below (nos. 1-3), with enhancements added.

## **Improvement Areas of Governance**

The collective review activity outlined above has identified the following areas where further improvement in governance arrangements can be made:

- 1) Implement the refocused digital transformation programme to meet priorities and achieve the expected benefits to respond to unprecedented challenges (ranging from customer expectations to demography to digital and, above all, to a financial sustainability imperative).
- 2) Continue to refresh the Performance Management Framework by developing dashboards for performance reporting, effectively utilising the Departmental Delivery Plans to complete the links from the Council Plan to individuals' appraisals consistently across the Council, and implementing a corporate approach to self-assessment across the Council.
- 3) Establish a framework for the review and update of the Policy Register to enable oversight of the ongoing review of policies, procedures and guidelines to ensure they are fit for purpose and meet current legislation.

These actions to enhance the governance arrangements in 2023/24 will be driven and monitored by the Council Management Team on a regular basis in order to inform the next annual review. Internal Audit work planned in 2023/24 is designed to test compliance and improvements.

## **Conclusion and Opinion on Assurance**

The conclusion from the review activity outlined above and our opinion is 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. Systems are in place to regularly review and improve governance and systems of internal control.

David Robertson  
Chief Executive  
June 2023

Councillor Euan Jardine  
Leader of the Council  
June 2023