COUNCIL OF THE ISLES OF SCILLY

ANNUAL GOVERNANCE STATEMENT FOR 2014/15

1. SCOPE OF RESPONSIBILITY

1.1 The Council of the Isles of Scilly ("the Council") is responsible for ensuring that its business is conducted in accordance with the law and proper practice standards, that public money is safeguarded and properly accounted for, and that it is used economically, efficiently and effectively to secure continuous improvement.

1.2 In discharging this accountability, the Council is responsible for putting in place proper arrangements for the governance of its affairs and effective exercise of its functions, which includes the management of risk.

1.3 The Council is in the process of reviewing and adopting a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and the accompanying Guidance Note. This is a separate paper presented to Full Council.

1.4 This Annual Governance Statement explains how the Council has complied with its Code of Corporate Governance and also meets the requirements of the Accounts & Audit Regulations 2011.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 Governance is about how organisations ensure that they are doing the right things, in the right way, for the right people, in a timely, open, honest and accountable manner.

2.2 The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled, and through which it is accountable to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives, and to consider whether those objectives have led to the delivery of appropriate, cost effective services. These objectives are outlined in the corporate plan and are underpinned by the Council's corporate values.

2.3 The governance framework is designed to manage risk to a reasonable level, rather than to eliminate all risk. It can therefore only provide reasonable and not absolute assurance of effectiveness.

3. THE GOVERNANCE FRAMEWORK

3.1 The governance framework is being reviewed in 2015/16 and will be presented to members for approval. Up to this point, the lack of a governance framework has been highlighted in

internal and external audit reports. It is vital that the Council has a modern, robust and accessible framework in place as soon as possible.

3.2 Maintaining the governance framework is an on-going process and one to which the Council is committed in order to ensure continual improvement and organisational learning.

3.3 The key elements of the systems and processes that comprise the Council's current governance arrangements are shown below together with explanations of how they are embedded and implemented within the Council.

3.4 IDENTIFYING AND COMMUNICATING THE AUTHORITY'S PURPOSE AND INTENDED OUTCOMES BY IMPLEMENTING A VISION FOR THE COMMUNITY

3.4.1 During this period, a Corporate Plan was worked on by all Members. This was adopted by Full Council in May 2015. This document sets out the Council's values, vision and strategies. These are:

Our Values

- Courage – We have the courage to challenge and explain our decisions.
- Accountable – we are truthful
- Respectful – we listen and consider people's views
- Effective – We strive to meet deadlines and fulfil our promises

Our Vision

Working in partnership to create opportunities for all, caring for our community, sustaining a diverse and skilled economy in harmony with our beautiful landscape.

Our Strategies

- Health, wellbeing and independence
- Growth, employment and skill
- Housing quality, affordability and supply
- Place and infrastructure

3.4.2 In December 2014, the Island Futures report was received by Members This document identifies the key priorities for strengthening and diversifying the economy of the islands over the long term, and how these priorities might be delivered. Consultation was undertaken, including a public meeting, business consultations and meetings with identified stakeholders. This report has highlighted opportunities, challenges and threats that will inform decisions and strategies made by the Council over the last year.

3.4.3 Part of the planned outcomes of the Corporate Plan will enable the Authority to measure itself against its corporate objectives. These corporate objectives will be cascaded through the organisation via service plans, departmental objectives and individual objective settings. Currently, staff and members have individual objectives set at the start of their employment. These personal objectives are reviewed every 6 months and renewed every 12 months.

3.4.4 The Health and Wellbeing Board, Community Services Committee and Childrens' and Young People committee measure their performance against an agreed work plan with mutually agreed targets. Performance scorecards and/or a review of actions from previous meetings are presented at every meeting.

3.4.5 A Medium Term Financial Plan (MTFP) has been approved by Full Council on the 10 March 2015 as part of the 2015-16 Annual Budget. Efficiency targets are reflected in the MTFP and reported to Full Council.

3.4.6 The annual Statements of Accounts and a formal annual report are produced and made available to the public in print and on the website. These documents set out to inform the community of the performance of the authority over the previous year

3.5 MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE WITH CLEARLY DEFINED FUNCTIONS AND ROLES AND EFFECTIVE COMMUNICATION

3.5.1 During 2014/15 the Council reviewed its functions and structures in order to modernise and improve service delivery. This included aspirations to:

- Make the Council of the Isles of Scilly a better place to work;
- Be accountable for everything we do;
- Strengthen governance;
- Create opportunities for development and growth;
- Become a more efficient and robust Council;
- Develop modern working practices.

3.5.2 Role profiles for all staff are designed to reflect the requirements of each post. All role profiles were created by Senior Managers and an external contractor. A random sample of role profiles was examined by a group of staff members and unions as part of the approved job evaluation process.

3.5.3 The Council also embarked on a review of its committees and structures. This process was initiated and decided on by a working group made up from Members. The new committee structure is designed to streamline decision making and clarify Member roles and responsibilities.

3.5.4 Work commenced on a review of the Scheme of Delegation. The review is designed to clarify member roles and decision making powers. It will also explain how senior managers' responsibilities for decision making have been delegated. The scheme was approved in June 2015.

3.5.5 The Council's business is transacted within a general framework of Terms of Reference, Scheme of Delegation, Standing Orders and a variety of specific resolutions by the Council and its various Committees. A set of principal instruments for the internal regulation of the Council's affairs is set out in Standing Orders and reviewed periodically.

3.5.6   The Code of Conduct for Members, as provided for by the Localism Act 2011 is contained within the Members & Officers Handbook and includes Terms of Reference of powers delegated to Standing Committees, sets out the areas for which individual Committees have responsibility.

3.5.7   Responsibility for the appointment of the Chief Executive is reserved to Full Council.

3.5.8   The Chief Executive has overall corporate management and operational responsibility (including overall management responsibility for, and authority over, all officers and employees), and is responsible for advice to Members on strategy, policy, management and organization.

3.5.9   The Chief Executive also has primary responsibility for ensuring that decisions taken by Council are taken in accordance with proper processes and after full considerations of all relevant facts, circumstances and legal advice where necessary.

3.5.10   The Senior Leadership Team is made up from the Senior Managers of the five (5) business units that deliver internal and external Council services. Its members are: the Chief Executive, Senior Managers of Infrastructure and Planning Democratic and Corporate, Finance and Resources, Services to our Community and Strategic Development. These Senior Managers bring additional perspectives that support legislative compliance and good governance.

3.5.11   The Council's Senior Manager: Democratic & Corporate Development is the designated Monitoring officer. He provides support and advice on the lawfulness of decisions and the promotion and maintenance of good ethical behaviour.

3.5.12   The Council has all statutory officers in place including the Section 151 Officer responsible for the supervision of all accounts and financial records, in co-operation with the Senior Managers and Monitoring Officer

3.5.13   The Senior Manager of Finance and Resources is responsible for ensuring that agreed financial procedures and statutes are followed and complied with.

3.5.14   Work started to implement a corporate dashboard. This will enable Senior Managers to view trends and make informed decisions by viewing relevant statistics from a wide variety of sources across the organisation.

3.6   PROMOTING VALUES FOR THE AUTHORITY AND DEMONSTRATING THE VALUES OF GOOD GOVERNANCE THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND BEHAVIOUR FOR MEMBERS AND STAFF

3.6.1   During 2014/15, the Policy and Resources Committee had responsibility for receiving and ensuring the Council's compliance with Corporate Governance issues as set out in the Terms of Reference in the Members' Handbook.

3.6.2   Employees are provided with a handbook containing a number of codes of conduct, including disciplinary procedures, equal opportunities, fraud and corruption, grievance procedures, ICT acceptable usage and data protection procedures.

3.6.3   Equality & Diversity training takes place for Members and staff to ensure the Authority is not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. This training is mandatory.

3.6.4   The Monitoring Officer reports to Members should any proposal, decision or omission give rise to unlawfulness or maladministration.

3.6.5   The protocol for Member/Officer relations is currently being reviewed. This will be communicated to staff in the staff Code of Conduct and to Members in their handbook.

3.6.6   The Council will ensure that consultation on any policy or procedure that affects members of staff or Members takes place in an open and transparent forum. This currently includes the Democratic Processes Panel for items relating to members and the Staff Consultation Group for employee related issues.

3.6.7   Progress was made in appointing a Caldicott Guardian. This role will promote standards of quality and security for data protection in social care.

3.6.8   A review of the process of dealing with standards complaints was undertaken at the request of members. The purpose of this request was to clarify roles and delegations of responsibility, and resulted in agreed amendments to the procedure.

3.6.9   The Council improved its enforcement processes, including the ratification of a new enforcement process for Environmental Health.

3.6.10   A legal services framework has been put in place through the Crown Commercial Services Legal Services framework. This will ensure staff have easy access to appropriately sourced and procured legal advice. The Monitoring Officer is responsible for this service.

3.7   INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY AND MANAGING RISK

3.7.1   During 2014/15, the Policy and Resources Committee was the scrutinising body and provided overall direction to the organisation, satisfying reasonable expectations of accountability.

3.7.2   Councillors are made aware of significant policy related proposals and service reviews through reports taken to the appropriate committee and have the opportunity to discuss and/or challenge the performance of the Council.

3.7.3   All meetings are open to the public with the exception of confidential or personal matters being disclosed in accordance with the provision of the Local Government Act 1972. Major meetings are webcast wherever possible.

3.7.4   Members and Officers register their interests as defined in the Members' Code of Conduct and the Officers Code of Conduct respectively. Personal or prejudicial interest are declared at the start of each meeting, and again as the matter falls to be discussed.

3.7.5   Induction training for Members and Officers reinforce the rules on conflicts of interest and the Monitoring Officer is available for advice.

3.7.6   During 2014/15, the Policy and Resources Committee consisted of the Chairmen of each standing committee plus the Lead Member for Children's Services, with the exception of the Standards, Licensing and Children and Young People's Committees and any select committee. The committee has delegated powers from Full Council and sits a minimum of six times per year.

3.7.7   Procedures for complaints are published on the website and forms are available on the Council website, in the Town Hall reception and on request.

3.7.8   Randomly selected reviews on individual financial transactions take place regularly and are reported to members.

3.7.9   All reports to Members are required to include justification for the proposed action and must be signed off by the Monitoring Officer and the 151 Officer.

3.7.10 The Council has implemented a framework and strategy for risk management that is communicated to all Members and employees, it is published on the website.

3.7.11 Communication of internal control processes to staff forms part of the staff induction process and includes Confidential Reporting (Whistle Blowing), and Code of Conduct policies.

3.7.12 Issues of *vires* are dealt with by early involvement of the Council's legal advisors in all major projects to ensure a lawful solution for the benefit of the community.

3.7.13 Procurement processes have been tightened to include Senior Manager sign off, business planning and resource allocation.

3.7.14 The budgeting and monitoring process has been streamlined to reflect the five directorates and simplified to enable clearer reporting, greater transparency in terms of responsibility and a focus on the key trends and council pressures or opportunities.

3.7.15 The Council has a statutory Health and Overview Scrutiny Committee. This met twice during the period and discussed a range of topics including scrutinising major partners' quality accounts and local arrangements for health and social care. The Health and Overview Scrutiny Committee has the remit to review and scrutinise any matter that has a material effect on the provision of health or social care on the islands. The membership is drawn from existing Council membership. This committee meets a minimum of 3 times per year.

3.7.16   The Fire & Rescue service was subject to a peer review by the Chief Fire Officers' Association and the LGA in October 2014. The review provided a positive overview of the service, its

work and performance and identifies notable practice in the delivery of the Duke of Edinburgh Awards Scheme (Life Skills Fire-fighting Module).

3.7.17 Children's Social Care have implemented a Quality Assurance Framework with regular case file auditing throughout the system including the Lead Member for Children and the Chief Executive. This ensures clear line of sight to ensure that safeguarding and child protection processes are robust.

3.8 DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS TO BE EFFECTIVE

3.8.1 The success of Council services relies substantially on the contribution of officers to the planning, development and delivery of services. The Council recognises that the value of staff contributions will be enhanced and given greater value through clear communication of the Council's expectations, developing staff skills and abilities, and providing a safe, healthy, supportive and inclusive working environment.

3.8.2 The Council is committed to developing the capacity and capability of staff. In order to embed a learning culture in the organisation a new role was created, the Learning and Development Officer. This role is tasked with sourcing, monitoring and auditing training requirements and provision across the Council.

3.8.3 The Council recognises the importance of staff undertaking continuing professional development (CPD). This is especially important in areas such as Services to our Community, Local Authority Fire Service and Air Traffic Controllers.

3.8.4 There are corporate induction processes for both members and staff.

3.8.5 The Council promotes health and wellbeing to its employees by encouraging staff to use a reputable, confidential, independent counselling service if necessary.

3.8.6 Members are encouraged to use their skills in progressing to Chairman or Vice-Chairman of individual Committees with ultimate progression to Chairman or Vice-Chairman of the Council.

3.8.7 The Council recognises Trade Unions and a representative is on hand to assist staff with queries and advice on matters pertaining to staffing issues.

3.8.8 In this period Members underwent training needs analysis. As a result, specific training courses from a range of external sources were commissioned. These courses included:

- Equality and Diversity
- Member Officer Relations
- Strategic Planning
- Child Protection
- Care Act training
- Fraud Prevention and Risk Management
- Media Training
- Smart Energy

- Planning

3.8.9 Members are also encouraged to identify individual needs for development as and when they arise. Currently there is no formal process for reviewing individual Members training needs.

3.8.10 The Council is committed to adhering to the Local Government Transparency Code 2015. The data being published includes: spending data over £500, procurement information, data about land and assets, senior staff salaries and organisational data.

3.8.11 The public are able to access information held by the Council under the terms of the Freedom of Information Act 2000, Data Protection Act 1998, the Environmental Information Regulations.

3.9 ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY

3.9.1 The Council recognises the importance of consultation as a way to engage and enthuse service users and the community. In addition to statutory consultations on large projects, the Council is committed to bi-annual public meetings on all islands. These are used as a two-way discussion as well a method of dissemination of decisions and direction.

3.9.2 In this period, the Council have worked in partnerships with a wide variety of bodies. The Council facilitated and took part in consultations and partnerships that have included:

- the Police on Community Safety
- The Cornwall and Isles of Scilly Local Enterprise Partnership
- Cornwall and Isles of Scilly Local Nature Partnership
- Local Transport Board with LEP and CC
- Island Futures Board
- Smart Islands Partnership
- Transport Task and Finish Group
- AONB Partnership
- Waste Forum
- The Duchy of Cornwall on housing, environment and economy
- The Local Transport Partnership
- The Five Island School Travel Plan working group
- DEFRA on drinking and waste water
- Island Business Partnership
- Housing Associations
- Health Partners and Foundation Trusts
- Other Local Authorities including Cornwall Council, Teignbridge Council etc

3.9.3　The Council Committee Calendar is published on the Council website along with agendas, minutes and reports.

3.9.4　News, policies and information for the public and staff are to be found on the website.

3.9.5　The public are able to view various Council meetings that are recorded for people who are unable to attend meetings in person. These webcasts are on the internet.

3.9.6　Council meetings are open to the public with the exception of 'exempt and confidential information'. In these cases the public is asked to leave the Council Chamber in accordance with the Local Government Act 1972.

3.9.7　Strategies and Policies are available on request in alternative formats, such as Braille, audio or alternative languages. A written or oral translation service is also available on request.

3.9.8　The Authority has adopted a 'Single Equality Scheme', and has appointed a Member with as an Equality Champion. The authority is committed to equality monitoring, training, internal and external consultation and Equality Impact Assessments to ensure that all the diverse groups within the community are recognised and engaged with.

3.9.9　The Council in its role as Local Planning Authority takes into account Local Plan, national planning policy and consultation responses from the community, key stakeholders and statutory organisations.

3.9.10　The public is encouraged to give comments, compliments and complaints in order for the Members and Officers to achieve a greater understanding of the views of residents and visitors.

3.9.11　Financial Statements are published annually on the website, including the Annual Governance Statement.

3.9.12　The Council has commissioned Healthwatch Isles of Scilly to embed and strengthen the collective voice of users of health and social care services and members of the public, both nationally and locally.

3.9.13　The Area of Outstanding Natural Beauty Management Plan contains policy and objectives, and identifies the actions or projects that will take objectives forward. This document was reviewed this year.

3.9.14 The Communication Strategy 2010 establishes and maintains effective channels of communication between employees, partners and members to enable the Council's goals and objectives to be clearly understood.

3.9.15 All staff are invited to, and given time to attend, monthly staff meetings. These meetings are used to update on topical events, and communicate current council policies and consultations. They are also used to promote shared understanding of roles, targets and to enable staff to understand each other's areas of responsibility.

3.9.16 Information posters are distributed throughout the community prior to elections and bye-elections to encourage individuals from the community to contribute to the work of the Council.

3.9.17 The Council communicates news, updates and information via multiple channels – its website, social media (Facebook and Twitter), posters and leaflets, and via public consultations.

3.9.18 Members of the community are encouraged to become co-opted Members, with voting rights, and advisors for certain Council Committee meetings.

4.   REVIEW OF EFFECTIVENESS

4.1   The Council of the Isles of Scilly has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework including the system of internal control. The review of the effectiveness is informed by the work of the Senior Managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2   The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is:

- Evaluation of the robustness of governance arrangements against the six principles of good governance as described in the CIPFA/SOLACE Delivering Good Governance (2004).
- The commissioning of an Internal Auditors' service from Cornwall Council. This scope of internal audit was agreed by members on 15th April 2014. This year's audit cover covered:
  o governance and risk arrangements;
  o the capital appraisal process;
  o the accounting and accuracy of the systems for council tax, non-domestic rates (NDR), water and sewerage and; and
  o the basic security of information systems.

- Comments made by external auditors and outcomes of external assessments carried out by regulatory body.
- An objection to the 2013/14 accounts was received and dealt with appropriately.

4.3 Improvements related to governance made in 2014/15 included:

- A review of committee structure has been agreed by members. This is designed to streamline the decision making process.
- A review of policies and codes of conducts relating to staff behaviours has been undertaken.
- Better processes around communications with an improving flow of information onto the website.
- A commitment to bi-annual public meetings on all islands.
- Procurement processes have been tightened and a more controlled environment for the processing procurements is in place.
- A review of the Officer Code of Conduct. Additions to this include the mandatory requirement of staff to declare interests annually.
- Version control implemented across all new policy documents. This allows more timely review of documents.
- A review of the risk management framework is ongoing. This review will enable members to be more explicitly involved in the risk management process.
- Mandatory training for all staff on equality and diversity and data protection has been implemented. This training will be refreshed annually.
- The shortening of Annual Accounts by 20%. This is an attempt to make the accounts more readable and transparent to members of the general public.
- A review of the Debt Policy was started.
- A process to review and digitise contract management is currently in process.
- An Asset Disposals and Acquisitions Policy has been approved and the Council of the Isles of Scilly now has dedicated resource committed to the management of commercial and corporate property.
- The Council of the Isles of Scilly now has a dedicated resource committed to improving procurement practices across the Council.
- The Council received assurance from the Information Commissioners' Officer in relation to an undertaking due to two data breaches that occurred in 2013. This showed that the Council had "taken appropriate steps and put plans in place to address some of the requirements of the undertaking, however further work needs to be completed to fully address the agreed actions.".
- The Scheme of Delegation was reviewed and updated.

5. SIGNIFICANT GOVERNANCE ISSUES

The following significant internal control issues have been identified:

No	Issue	Action Planned
5.1	Concerns have been raised on the adequacy and effectiveness of the Internal Control Environment for the financial year 2014/15. Internal Audit rated the control environment as **poor**, and the overall risk to the Council as **medium**.	Recommendations have been made by Internal Audit and these recommendations are being included into objectives and service plans.
5.2	External Audit stated that the Annual Governance statement for 2013/14 did not provide an accurate representation of the arrangements that were in place during the year and focused more on the Council's future plans and post year-end changes	A new process for compiling the Annual Governance Statement is in place. This is focused on reporting on governance issues and improvements with the financial year it refers to .
5.3	The Council does not have a robust and sustainable Medium Term Financial Plan that went beyond 2014/15.	The Annual 2015-16 Budget was supported by a full MTFP.
5.4	A risk appetite has not been set by members	Members should undertake an high level risk assessment of the Corporate Plan
5.5	Weaknesses were found in ICT internal controls	These have been remedied. An Information Governance framework is being developed to ensure more robust ICT controls are embedded into the organisation.
5.6	Risk management not embedded in all council depts.	The Risk Management Policy and Procedures are currently under review. This review will be presented to members. All departments will be trained once the review has been approved.
5.7	Capital appraisal scheme - More rigorous processes need to be in place for non-ERDF schemes. This will aid transparency	The Senior Leadership team has put in place a robust internal process for dealing with non-ERDF capital projects. These include options appraisals, business plans and procurement routes for all projects over £25,000. Where appropriate, dependant on scale and impact, there will be consultation with appropriate stakeholders and all major capital decisions will be presented to for approval by Members. There is now a dedicated staff team to deal with large scale capital projects with appropriate delegate powers.
5.8	Procurement processes need strengthening and clarifying.	As part of the restructure, a dedicated resource for supporting all procurement across the organisation was created.
5.9	The Revenues system that supports Council Tax, Water Rates and NNDR was due to be upgraded in 2014-15.	This upgrade forms part of the wider IT Strategy to review and increase capacity and capability for the whole of the council.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: ………………………………….   Signed: …………………………………

Dated: ………………………………….   Dated: …………………………………

Chairman of the Council   **Chief Executive**