COUNCIL OF THE ISLES OF SCILLY

ANNUAL GOVERNANCE STATEMENT FOR 2015/16

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.

1.4 This Annual Governance Statement explains how the Council has complied with best practise outlined in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and also meets the requirements of the Accounts & Audit Regulations 2015.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 Governance is about how organisations ensure that they are making the right choices, 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 supports 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 supported 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 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.

3.2 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.

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

3.3.1 The long term vision for the Council is set out in its Corporate Plan. This document sets out how the Council will deliver its contribution to achieving some of the strategic goals set out in the 2014 Island Futures report.

3.3.2 The strategies highlighted in the Corporate Plan relate to:

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

3.3.3 The Corporate planning framework (illustrated below) shows how the Council develops and monitors its activities. The planning framework consists of a hierarchical organisation of plans that are aligned to ensure that corporate priorities are achieved and cascaded through the organisation. These plans are monitored and prioritised by effective risk management arrangements, the annual business plan development and performance management.
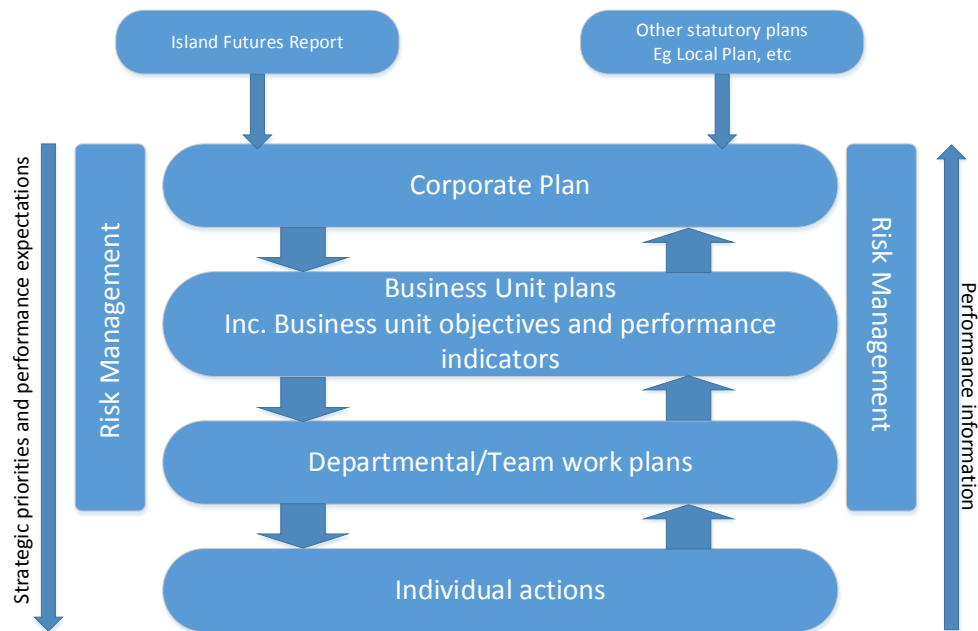
Figure 1. Corporate planning framework

3.3.4 The Council continues to strive to provide best value and to use its resources as efficiently as possible. These arrangements include:

- A financial process which is audited both internally and externally to ensure confidence in the systems and controls used;
- A Medium Term Financial Planning process linking the Council's incoming and existing resources to the vision and ambitions contained within the Corporate Plan to ensure that sufficient resources are directed to the Council's priorities;
- A structured and strategic approach to procurement across the Council;
- The implementation of a savings plan. This plan will be implemented in this financial year.

3.3.5 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.

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

3.4.1 Roles and responsibilities are defined and allocated so that responsibilities for decisions made and actions taken are clear. Full Council is the main decision making body of the Council. All Councillors are members of Full Council.

3.4.2 The Council also appoints a number of committees to discharge the Local Authority's regulatory and scrutiny responsibilities. These arrangements, and the delegated

responsibilities of officers, are set out in the Terms of Reference, Standing Orders and the Scheme of Delegation and other specific resolutions of Council.

3.4.3 The Chief Executive, as Head of Paid Service, is accountable for the delivery of the Council's services, its budget, the work of Council employees and the work of contractors and agencies who deliver services to the community. Full Council is responsible for the appointment of the Chief Executive.

3.4.4 The Senior Manager: Finance and Resources is the S151 Officer, appointed under the 1972 Local Government Act and is also the Chief Financial Officer carrying overall responsibility for the financial administration of the Local Authority. This officer is a member of the Corporate Leadership Team, and has direct access to the Chief Executive.

3.4.5 Section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 Local Government Act 2000, requires the Council to designate one of its senior managers as the Monitoring Officer. This role is undertaken by the Senior Manager: Democratic and Corporate, who is responsible for:

- Ensuring that the Council acts and operates within the law. He or she has a duty to report to the whole Council if the Local Authority has broken or may have broken the law;
- Maintaining arrangements to support the Council's functions and activities, including regular reviews of the Financial regulations, standing orders, policies and protocols that form the rules that govern the Council;
- Supporting the Council's Finance, Audit and Scrutiny committee and helping promote and maintain high standards of conduct by Council members, officers, partners and contractors;
- Establishing and maintaining a Register of Interests (including receipts of gifts and hospitality) for elected and co-opted members;
- Receiving reports and taking action under the Council's Whistleblowing Policy. This policy supports whistleblowing by staff.

This officer is a member of the Corporate Leadership Team and has direct access to the Chief Executive.

3.4.6 The Children Act 2004 requires every upper tier local authority to appoint a Director of Children's Services and designate a Lead Member for Children's Services. The Senior Manager: Services to our Community is designated as the Council's Director of Children's Services. This officer works with the Lead Member for Children's Services, to provide strategic leadership for local authority education and social care services for children. The responsibilities of the Director of Children's Services and

Lead Member extend to all children receiving services from the Local Authority, irrespective of the type of school they attend, or their home local authority area.

3.4.7   All local authorities with social services responsibility in England are required to appoint an officer as the Director of Adult Social Services. This role has been designated to the Senior Manager: Services to our Community. This statutory role is accountable for the delivery of local authority social services functions listed in Schedule 1 of the Local Authority Social Services Act 1970 (as amended) in respect of adults (other than those services for which the Director of Children's Services is responsible).

3.4.8   The Internal Audit service is contracted out to an external supplier. For the period of this report, this contract was held by Cornwall Council. The Audit function is responsible for the Council's internal audit service, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion. The s151 Officer acts as the liaison between the Audit function and the Corporate Leadership team.

3.4.9   All employees have Statements of Particulars and role profiles which set out their roles and responsibilities.

3.4.10   The Council has clearly set out terms and conditions for the remuneration of members and officers and there is an effective structure for managing the process. A Scheme of Members' Allowances has been set by the Council having regard to a report of an Independent Panel made up of non-Councillors. The Council publishes a 'Pay Policy Statement' on an annual basis, which provides transparency with regard to the Council's approach to setting the pay of its employees

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

3.5.1   The Finance, Audit and Scrutiny Committee has 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.

3.5.2   The Finance, Audit and Scrutiny Committee ensures that high standards of member conduct are followed. This committee monitors and reviews the effectiveness of all the Council's services and the standards and levels of service provided.

3.5.2   Employee behaviour is governed by the Employee Code of Conduct. This code has been formulated to provide a set of standards of conduct expected at work and the link between conduct at work and conduct in private life. This is reviewed annually with input from the Chief Executive, Corporate Leadership Team and the Staff Consultation Group.

3.5.3   The Council takes fraud, corruption and maladministration seriously and has such established policies and processes which aim to prevent or deal with such occurrences. These policies include:

- An Anti-fraud, Bribery and Corruption Policy;
- Whistleblowing Policy; and
- HR policies regarding discipline of staff involved in such incidents.

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

3.5.5   The Monitoring Officer is responsible for the arrangements that exist to ensure that members and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:

- Registers of disclosable pecuniary interests and disclosable other interest;
- Declarations of disclosable pecuniary and other interests at the start of each meeting in which discussions involve a matter in which a member has an interest;
- Registers of gifts and hospitality; and
- An Equal Opportunities Policy.

3.5.7   A Using and Processing Feedback Policy exists to receive, monitor and respond to any complaints received. These are processed by the Democratic and Corporate team.

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

3.6.1   The Council's decision making processes are clear, open and transparent. The Council's Terms of Reference, Standing Orders and Scheme of Delegation set out how the Council operates and the processes for policy and decision making. Agendas and minutes of all meetings are published on the Council's website.

3.6.2   The Local Authority provides decision makers with full and timely access to relevant information. The report template requires information to be provided explaining the legal, financial, risk and equality and diversity implications of decisions, as well as how the decisions proposed impact on the corporate priorities.

3.6.3   Reports are scrutinised and subject to internal challenge before publication. Officers are encouraged to produce reports in a timely fashion to assist committee reporting deadlines and allow opportunities for critique. This process has been developed to ensure consistency, clarity and accessibility in presentation.

3.6.3   The Council has a Risk Management Framework and regularly reviews the Corporate, Business Unit and departmental risk registers. The management of risk is monitored through the reporting of Business Unit risk registers to the appropriate committee on a regular basis. The Risk management framework is reviewed annually by the Finance, Audit and Scrutiny committee and signed off by Full Council. The Corporate and Business Unit risk registers outline the key risks faced by the Council, including their impact and likelihood. The registers also detail current and planned mitigations, controls and actions as well as 'best scenario' to encourage positive, innovative outcomes.

3.6.3   Strategic Risk Registers are scrutinised and updated on a fortnightly basis by Corporate Leadership Team.

3.6.4   The Finance, Audit and Scrutiny committee approves and reviews the internal audit programme and oversees the implementation of audit recommendations

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

3.7.1   The success of Council services relies substantially on the contribution of employees 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.

3.7.2   In order to develop staff, the Council has created a Learning and Development policy which includes a Performance Development Process. This addresses skill development in a structured and organised way. The policy also helps the Local Authority asses its current workforce and people management and to identify any skills gaps that need to be filled.

3.7.3   There are separate corporate induction processes for both members and staff.

3.7.4   The Local Authority promotes health and wellbeing to its employees by actively monitoring sickness statistics, and making a confidential, independent counselling service available to all staff if necessary.

3.7.5   The Council recognises trade unions. Union representatives are on hand to assist staff with queries and advice on matters pertaining to staffing issues.

3.7.6   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. A Member Development Policy, including a Member Skills Framework, has been developed in conjunction with members, but not signed off.

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

3.8.1 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 at least 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.

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

- Community Safety Partnership
- Cornwall and Isles of Scilly Safeguarding Children's Board
- Cornwall and Isles of Scilly Safeguarding Adult's Board
- The Cornwall and Isles of Scilly Local Enterprise Partnership (LEP)
- Cornwall and Isles of Scilly Local Nature Partnership
- Local Transport Board with LEP and Cornwall Council
- 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
- Working Group on Water and Sewerage Services and Investment on the Isles of Scilly with the Environment Agency (EA), Drinking Water Inspectorate (DWI), Water Services Regulation Authority (OFWAT), Department for Environment, Food and Rural Affairs (DEFRA), Tresco Estate and the Duchy of Cornwall
- Island Business Partnership
- Housing Partnership
- Individual Housing Associations
- Health Partners and Foundation Trusts
- Multi-Disciplinary Team Meetings in Adult Social Care
- Bloom – Emotional Health in Children Partnership
- Local Resilience Forum
- Local Government Association (LGA) in regards to a Peer Challenge
- Other Local Authorities including Cornwall Council, Teignbridge Council etc.

3.8.3   Information on the democratic running of the Council is routinely published on the Council's website and includes:

- The Council's Standing Orders, Financial Regulations and Terms of Reference for committees;
- Minutes, agenda and video recordings of Council committees;
- All financial payments made to suppliers that are equal or greater than £250;
- An organisational chart including the salaries of senior staff; and
- Compliance over and above the guidelines laid out in the Transparency Code 2015.

3.8.4   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.

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

3.8.6   All staff are invited to, and given time to attend monthly staff meetings. These meetings are used to provide updates 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.

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

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

3.8.9   Members of the community are encouraged to become co-opted Members, with certain 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:

- The work of the Finance, Audit and Scrutiny committee as the Council's Audit and Scrutiny function;
- The Council's internal management processes, such as:
  o Staff Personal Development Plans (appraisals);
  o Consultation on internal policies through the Staff Consultation Group;
  o Monitoring of mandatory courses
  o Monitoring of corporate policies on whistleblowing, health and safety and complaints; and
  o The security breach policy.
- The report of the commissioned Internal Audit function which provides an independent and objective opinion on the effectiveness of internal control and risk management;
- The opinion of the external auditor on the Council's financial statements and conclusion on whether the Council has put in place proper arrangements to secure efficiency and effectiveness in its use of resources (Value for Money);
- The opinion of other external auditors (OFSTED, CQC, CAA etc) on Council provided services;
- The operation of the Council's risk management (and performance management) framework;
- The work of the Democratic Processes Panel, which has an initial overview of the policies and processes currently used by the Authority and recommends amendments appropriately;
- Quality Assurance Process in Children's Social Care including a self-assessment
- Peer review of services through Association of Directors of Adult Social Services, Association of Directors of Children's Services and the Local Government Association; and
- Section 11 Audit for Local Safeguarding Children's Board.

4.3 Improvements related to governance made in 2015/16 included:

- The implementation of a revised committee structure designed to streamline the decision making process;
- The governance around report writing was tightened in order to provide members and the public with better, more relevant information;
- The implementation of a new risk management framework for the Authority, with the appropriate risk appetite signed off by members;

- The Anti-Fraud, Corruption and Bribery Policy and the Whistleblowing Policy were reviewed and approved by members;
- 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;
- Internal processes around the complaints procedure were reviewed to improve the resolution of complaints within the statutory timeframes;
- The design of a framework around capital projects to enable better medium-term financial planning;
- A review of the Officer Code of Conduct. Additions to this include the mandatory requirement of staff to declare interests annually;
- The shortening of the length of the annual Statement of Accounts by 20%. This is an attempt to make the accounts more readable and transparent to members of the general public;
- The review of the Scheme of Delegation was approved by members;
- The Council undertook a Corporate Peer Challenge and a resulting action plan was agreed by members;
- The commitment to open data was strengthened with a re-design to the presentation of data on the Council's website;
- The progress of implementation of recommendations from internal Audit reports were reported to the Finance, Audit and Scrutiny committee at regular intervals;
- After a comprehensive safety review of over 3 days, the Civil Aviation Authority removed the 'special attention' notification from the Airport;
- The Care Quality Commission rated the Council-run care home Park House as 'Good' in April 2015. In relation to governance it commented, "There was a management structure at the service which provided clear lines of responsibility and accountability";
- A robust Quality Assurance process is in place in Children's Social Care;
- Children's Social Care participated in a Peer Review ;
- A mentor has been secured for the Lead Member for Children;
- A comprehensive Supervision framework is in place for all staff in the Services to our Community team which feed into the PDP;
- A new social care database for Children's and Adults Social Care has led to greater recording of management decision making and accountability;
- Staff took up 357 places on 52 different courses across the organisation. 32% of these courses gave staff professional qualifications; and
- A Member Development Policy has been developed in conjunction with members. This policy also includes a skills framework to ensure members can

evaluate any missing skills gaps in their training. This policy will be signed off in 2016/17.

4.4   Significant governance issues 2015/16

In formulating this year's Governance Statement a number of forms of evidence have been reviewed. Several of these are reported and monitored through the Finance, Audit and Scrutiny Committee. To avoid duplication such findings are not noted in this statement except where their implications could affect the overall effectiveness of the authority's governance procedures. The paragraphs below identify the most significant governance issues that are to be addressed through 2015/16.

4.4.1   **Risk Management** - During 2015/16 significant thought and effort was committed to improving the Authorities approach to risk management. This included developing and maintaining strategic, Business Unit and Departmental Risk Registers, discussing risk management with elected members, engaging with senior managers and officers through a number of meetings and seeking to integrate effective risk management within day-to-day activity. It is, however, accepted that more needs to be done in order to properly embed risk management techniques within the Council. It is for this reason that risk management remains as a governance issue with focused attention during 2016/17.

4.4.2   **Compliance** - The opinion of Internal Audit of a "Poor" control environment and "High" residual risk exposure is tempered by the acknowledgement that there was significant emphasis from management to improve compliance through 2015/16. However, it must be noted that this work needs to continue to be embedded into procedures for the maximum benefit for the Authority. Some of these improvements include the new Payroll system, performance monitoring and reporting and improved governance around budget monitoring and budgeting in general. There will be continued emphasis in these areas during 2016/17 to ensure that good practice is developed and any poor practice is eliminated.

4.4.3   **Capital Projects** - A significant overhaul of the capital programme was undertaken throughout 2015/16 culminating in a five-year (plus) schedule of proposals and a new governance model for capital programmes being presented to the Finance Audit & Scrutiny Committee meeting in April 2016. While the basic processes and controls have been put in place, they are yet to be embedded throughout the organisation. Embedding these processes will be necessary during 2016/17 to ensure this work does not become redundant.

4.4.4   **Member involvement** - During this period, there was a 20% vacancy rate for councillors. These reduced numbers mean that there is increased pressure on the remaining councillors to fill roles and responsibilities. This in turn could lead to increased pressures on conflict of interests, a lack of debate and a perception of being un-representative of the

electorate amongst the population. One of these seats has now been taken following an uncontested by-election on 11th May 2016. Officers will continue to encourage members to engage with public and publicise routes to becoming a councillor ahead of the quadrennial Council election in May 2017.

4.4.5   **Funding pressures** - Government grant funding for local government continues to remain very challenging for the coming years, particularly given the increasing cost pressures for the services the Council provides. The Council's finances will need to be kept under close review, especially services such as Waste and Recycling and Adult Social Care where there are already significant spending pressures. Currently, members have agreed a 12 point budget savings plan to be implemented. The effectiveness of the measures contained within the plan will be reported at regular intervals. There will also be appropriate consultations with the public and staff in order to ascertain the best outcomes for the community whilst meeting budgetary targets. The Local Government Association (LGA) has provided support to the Council in respect of ongoing budgeting mentoring and also review of the Medium-Term Financial Planning framework for 2016/17 and forward years. There is dialogue between the Chief Executive and S151 Officer and government departments (most notably DCLG) to ensure that the case for the Isles of Scilly is understood as new policy is implemented.

4.4.6   **Corporate Plan and Organisational Development** - The LGA peer review published in October 2015, whilst generally positive, highlighted areas for possible improvement. One of the key recommendations was a "lack of clear prioritisation, co-ordination and focus for organisational development." There are many conflicting priorities for staff time and the creation of the Corporate Plan has helped to focus the importance of those tasks. In order for the prioritisation to remain relevant, the Corporate Plan should be reviewed. This will help senior management create plans which are realistically resourced and managed. There will be ongoing work, through the improved governance around the submission of papers, budget monitoring and the capital project governance framework, which will ensure that this prioritisation can be effective.

4.4.7   **Communication** - The LGA peer review also highlighted weak communication, both within the Council and externally to partners and the public and other stakeholders. A whole scale review and development of a new corporate communication strategy has been recommended. The Council is working with the LGA in order to identify and address areas of weakness.