



# Council of the ISLES OF SCILLY

## ANNUAL GOVERNANCE STATEMENT FOR 2017/18

### 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 This Annual Governance Statement sets out how the Council has intended to comply 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.

1.4 During 2017-18 the Council continued to focus upon improving governance issues around financial capacity and controls which are now showing signs of improvement This statement sets out the governance framework and arrangements that were in place during 2017-18 and also highlights the areas where governance issues remain and proposals being brought forward to improve them.

### 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. Within this framework the Council will adopt the core principles of good governance which require a local authority acting in the public interest to commit to effective arrangements for:

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

### **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 is 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.

Island Futures Report Other statutory plans Eg Local Plan, etc Corporate Plan Business Unit plans Inc. Business unit objectives and performance indicators Departmental/Team work plans Individual actions Risk Management Strategic priorities and performance expectations Performance information Risk Management

3.3.4 The Council continues to strive to provide best value and to use its resources as efficiently as possible. These arrangements should, and in future will, 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 and monitoring of an immediate and longer term savings plan.

3.3.5 The annual Statements of Accounts 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 During the year the Council continued to operate within its statutory officer agreement with Cornwall Council, whereby Cornwall Council provided the officers to undertake the statutory roles of Monitoring Officer and Section 151 Officer.

3.4.5 The position of Section 151 Officer, provided by Cornwall Council and appointed under the 1972 Local Government Act is determined as the Chief Financial Officer carrying overall responsibility for the financial administration of the Local Authority. This officer is a passive member of the Corporate Leadership Team, but critically has direct access to the Chief Executive.

3.4.6 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. Since July 2016 Cornwall Council has provided the appropriate officer to undertake the role. This officer is not a member of the Corporate Leadership Team but has direct access to the Chief Executive and the Section 151 Officer.

3.4.7 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.

3.4.8 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).

3.4.9 The Internal Audit service is contracted out to an external supplier. 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.

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

3.4.11 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 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 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. During the 2017/18 financial year reporting of financial and budget monitoring information to the Council was improved with regular budget monitoring reports presented to Full Council. Report templates require 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. Previously this was not always complete, however improvements have been made to this process with those implications being made more explicit and with oversight and input by the relevant statutory officer.

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 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 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 assess 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 as 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 Scrutiny committee
- The Council's internal management processes, such as:
  - Staff Personal Development Plans (appraisals);
  - Consultation on internal policies through the Staff Consultation Group;
  - Monitoring of mandatory courses
  - Monitoring of corporate policies on whistleblowing, health and safety and complaints; and
  - 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.

#### **4.4 Significant governance issues 2017/18**

The paragraphs below identify the most significant governance issues that are to be addressed through 2018/19 and potentially on into 2019/20.

**4.4.1 Financial Control, Capability and Systems** – The Council has been focussed on significantly improving its financial position, systems and control environment. Key areas of focus include:

1. Ensuring the Council maintains an appropriate level of General Fund Reserves
2. Improving budgetary control procedures and reporting to members
3. Developing a medium term financial strategy
4. Ensuring robust cash flow forecasts
5. Strengthening financial management and support through the finance team arrangements with Cornwall Council

Some significant progress on these issues was made during 2017/18 as follows:

1. The Council's General Fund balance increased from £0.531m at 1<sup>st</sup> April 2017 to £0.802m on 31<sup>st</sup> March 2018. This is much closer to the target level of £1m although further work needs to be undertaken through the Council's medium term financial plan to ensure that the target level is maintained
2. The Council moved its financial management information on to the Oracle ERP system during 2017/18 and went live on 1<sup>st</sup> March 2018. Dovetailed in with this move was the creation of a new chart of accounts and scheme of delegation representing a significant step forward in enabling the required improvements in financial management at the Council. Budgetary control was improved and regular budget monitoring reports were produced for Full Council with better engagement of Senior Managers.
3. A Medium Term Financial Plan 2018/19 to 2020/21 was presented to Full Council in November 2017. This set out the emerging position and assumptions around resources for the period. The Plan indicated a structural deficit within the budget in the region of £0.400m with a additional savings required over the period bringing the total shortfall to £0.561m. The Plan contained an indicative list of savings to be used as the basis for budget setting for 2018/19. An initial budget setting report for 2018/19 was taken to Members in January 2018 before final approval of the budget and council tax in February 2018. The report set out forecast resources and high level service spend and identified the shortfall in resources which would need to be found through until 2020/21.

In order to achieve a balanced budget final savings plans were built in to the 2018/19 budget along with a draw on general reserves.

4. The Council's S151 Officer undertakes routine cashflow monitoring to maximise the Council's position in terms of its treasury management activities. Historically the Council has borrowed to support c£5m of capital spend but has utilised internal cash resources as opposed to undertaking actual long-term borrowing. This approach is kept under constant review and it is likely that, at some point, the S151 Officer will take the decision to align the Council's actual long-term debt with its historic financing decisions, but only when it is deemed that the market shows it beneficial to do so.
5. The Council's Finance Team largely moved to the arrangements within the delegation agreement with Cornwall Council through 2017/18. This has brought an increase in experience and a breadth of experience which is well-placed to support both the Council's management and elected Members. The S151 arrangement was transferred to a senior member of the Cornwall Council Resources service and a Deputy S151 officer put in place. These arrangements combined with the move to the Oracle ERP system and further planned IT developments (around budgetary information and dashboards) has put the Council on a firm footing for its future financial management.

**4.4.2 Adult Social Care** – Adult Social Care, including the safe operation of Park House, is a key function and priority for the Council. The arrangements, performance and interactions with key stakeholders, not least the NHS, will be of strategic importance to the Council.

The sustainability transformation plan sets out a direction of shaping the future for Cornwall and the Isles of Scilly NHS area that will undoubtedly impact and effect arrangements on the islands.

**4.4.3 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.

## **5. INTER AUTHORITY AGREEMENT**

5.1 The Council recognises the need to address issues identified in the Audit Findings Report. The adoption of an Inter Authority Agreement with Cornwall Council represents a

key mechanism to address issues relating to financial capacity and skills, including monitoring. The strategic collaboration with Cornwall Council will provide the access to this expertise and capacity, albeit at a cost, but one that will be cheaper and more focussed.

## 6. CONCLUSION

The Council's governance arrangements were previously recognised as weak in relation to finance. Those arrangements have been significantly improved during 2017/18 and have provided a firm foundation for the Council's financial planning and management to move forward and to better support the Council's corporate objectives. Other governance arrangements are generally fit for purpose in most other areas in accordance with the governance framework. The Council is committed to enhancing these arrangements and ensuring that the improvements required are prioritised and sufficiently resourced.

Robert Francis

Chairman

Date 14<sup>th</sup> December 2018

Craig Dryden

(as) Chief Executive

Date 14<sup>th</sup> December 2018