



COUNCIL OF THE ISLES OF SCILLY

ANNUAL GOVERNANCE STATEMENT FOR 2013/14

1. SCOPE OF RESPONSIBILITY

The Council of the Isles of Scilly is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council of the Isles of Scilly also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility the Council of the Isles of Scilly (through Members and Officers) is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council of the Isles of Scilly has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code can be obtained by e-mail from governance@scilly.gov.uk or in hard copy from the Town Hall. This statement explains how the Council of the Isles of Scilly has complied with the code and also meets the requirements of regulation 4(2)-(4) of the Accounts and Audit Regulations 2011 in relation to the publication of an annual governance statement prepared in accordance with proper practices in relation to internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of the Council of the Isles of Scilly, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council of the Isles of Scilly for the year ended 31 March 2014 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK

The Council of the Isles of Scilly is a small unitary authority delivering a broad range of services to a unique island community, located 45km south west from mainland Britain. The population of the Islands was recorded as 2203 at the last census in 2011 and is spread over five inhabited Islands. The vast majority of the population lives on St Mary's. The population has remained stable for the last 100 years but over the past ten years the elderly population has increased while under 16's have decreased. Diversity issues are focused on access to services for the small off island communities and the influx of seasonal migrant workers, which number in excess of 100 predominantly from Eastern Europe.

The Duchy of Cornwall owns the vast majority of land on the islands, apart from a small area of the main town on St Mary's. There are just 108 Council houses and a key issue is providing sufficient affordable and key worker housing.

Education levels are considerably higher than the national average. The Five Islands School provides primary and secondary education on the islands with post-16 further and higher education undertaken on the mainland.

The Authority delivers the widest range of services of any council in the country, all of the usual statutory services as well as some additional services such as tourism (the economy is 85% dependent on this) water, sewerage and operates St Mary's Airport, the 10th busiest regional passenger airport in the UK. This wide range of services is delivered with a limited budget. In addition the geographic context means that there is an additional cost and complexity to all service delivery. This combined with very small cohorts of clients means that it is not necessarily meaningful to benchmark against national statistics and all statistics need careful interpretation.

The last two years has been a difficult time for the Authority, having been without a permanent Chief Executive and coinciding with the election of a number of new members. The Council is now moving forward by undergoing a complete change with services being redesigned and significant pressure on budgets. The target for completion of reshaping under the new Senior Leadership Team is Autumn 2014.

The key elements of the Council's systems and processes that comprise the authority's governance arrangements are:

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

- The Council is committed to listening and working with the community. Early this year a public forum took place on each island to understand the views and needs of the community.

- The Communication Strategy establishes and maintains effective channels of communication between directors, managers, employees, partners and stakeholders to enable the Council's goals and objectives to be clearly understood, acted upon and achieved. The Strategy is currently under review.
- Priorities have been published in the Sustainable Community Strategy 2020 by taking into account the annual budget and medium term financial plans and has taken the vision forward and identified key areas to be addressed over the coming years. A review of the strategy is currently taking place.
- Service plans include each department's contribution to the strategic objectives outlined in the Sustainable Community Strategy and are supported by action plans with targets taking into account the available funding. A review of service plans to be undertaken once reshaping is completed.
- A Medium Term Financial Strategy (MTFS) has been approved and implemented to support the aims of the Sustainable Community Strategy 2020. Efficiency gains are reflected in the MTFS and reported to Full Council.
- The Corporate Procurement Strategy gives policy and objectives. A review of this strategy is underway and will be published on the new Council website once complete.
- The Contract Management Framework assists in maintaining efficiencies within contracts and service level agreements. A review of this strategy is currently taking place and will be published on the new Council website once complete.
- Annual Financial statements and a formal annual report are produced and published on the website to inform the community of the performance of the authority over the previous year and set out the plans for the future.
- The Area of Outstanding Natural Beauty Management Plan contains policy and objectives, and identifies the actions or projects that will take objectives forward.

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

- The Authority has always been non-political and is currently made up of 20 independent Members, 13 elected by St Mary's residents and two each, elected by residents of St Martin's, St Agnes and Tresco and one on Bryher.
- The Council is an Option 4 Authority under the Local Government Act 2000 and retains a committee system consisting of ten standing committees and the statutory Council meetings.

- Terms of reference of powers delegated to Standing Committees sets out the areas for which individual Committees have responsibility and is contained in the Members & Officers Handbook.
- The Council's business is transacted within a general framework of authority comprising statutory provisions, orders and directions, bylaws 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.
- Role profiles for Senior Managers and the Chief Officer reflects the requirements of the post. All job descriptions are being reviewed as part of the reshaping process and will continue to be monitored following implementation.
- 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.
- Responsibility for the appointment of the Chief Executive is reserved to Full Council.
- 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. 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.
- 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 Chief Officers, and Monitoring Officer.
- The Head of Finance and Reporting is responsible for ensuring that agreed financial procedures and statutes are followed and complied with.

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

- The Policy and Resources 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.
- Employees are provided with a handbook containing a number of codes of conduct, including disciplinary procedures, equal opportunities, fraud and corruption, grievance procedures, internet and e-mail policy and data protection.

- 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.
- The Monitoring Officer reports to Members should any proposal, decision or omission give rise to unlawfulness or maladministration.
- The developing protocol for Member/Officer relations will ensure that processes are operated in an effective, appropriate and ethical manner.
- The Standards Committee includes six Members of the Council with at least two Independent Persons appointed to assist the Monitoring Officer and Subject Members. These Independent Persons do not sit on the Committee. The Committee meets three times per year.

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

- Full Council is the scrutinising body and provides overall direction to the organisation and satisfying reasonable expectations of accountability.
- 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.
- 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 being webcast for those who cannot attend the meeting and wish to view the decisions at a later time.
- Members and Officers register their interests as defined in the Members' Code of Conduct and the Officers Code of Conduct respectively, approved at Full Council. Personal or prejudicial interest are declared at the start of each meeting, and again as the matter falls to be discussed.
- Induction training for Members and Officers reinforce the rules on conflicts of interest and the Monitoring Officer may be approached at any time for advice.
- The Policy & Resources Committee consists 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 six times per year.
- Procedures for complaints are published on the website and forms are available on the website, in the Town Hall reception and on request.

- All reports to Members are required to include justification for the proposed action with environmental impact, financial, legal, crime and disorder, best value and community health implications and, where appropriate, professional opinion is sought.
- The Council has implemented a framework and strategy for risk management that is communicated to all Members and employees and is published on the website.
- Risk management is embedded in the activity of the authority through the business plan, service planning and contract management stages. A Corporate Risk Register identifies the benefits of active risk management, and a thorough review will be undertaken.
- The process for ongoing risk management and a quarterly review is the responsibility of the Strategic Management Team.
- Departmental Risk Registers linked to service plans have been implemented to identify risk management at a departmental level and are the responsibility of the Service Managers.
- Project and Contract Managers are aware of the risks in partnership working and risk assessments are undertaken before commencement of major projects and reviewed and reported on a regular basis.
- Communication of internal control processes to staff forms part of the staff induction process and includes Confidential Reporting, Managing Financial Irregularities (whistle-blowing) and Code of Conduct policies.
- 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.

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

- An induction training programme offered to all new Councillors and Officers gives information on their basic rights, roles and responsibilities and how the Council works. The ongoing training programme offers up to date knowledge through in-house seminars and training workshops and external courses and conferences. Learning and development needs are established at induction to influence future development and influence the range of activities to be offered and a full programme of Member development will be undertaken following review by the Local Government Association.
- Staff are encouraged to participate in a performance related interview on a regular basis, with the primary purpose of agreeing individual work targets and training requirements that relate to the delivery of their Departmental Service Plan.
- Members, Officers and staff effect learning and development through access to e-learning, training courses, workshops, Members' seminars and conferences, mentoring and peer support.

- Where appropriate, training sessions and workshops held in the Council Chamber are recorded on the web-casting facility for those staff and Members who are unable to attend at the time of the session.
- Individual Members are encouraged to identify needs for development, although there is no formal process for reviewing individual Members.
- Information leaflets 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.
- The 'Council Calendar', 'News' and 'What's on', on the Council website, informs the community of forthcoming meetings, events and items in which the community are able to participate.
- Members of the community are encouraged to become co-opted Members, with voting rights, and advisors for certain Council Committee meetings.
- 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.
- Officer vacancies are advertised internally and externally to allow for local opportunity and internal progression.
- The Council recognises Trade Unions and a representative is on hand to assist staff with queries and advice on matters pertaining to staffing issues.

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

- The Council's vision, priorities and values are published in the Sustainable Community Strategy.
- Standing Orders and Financial Regulations inform the public of Members' and Officers' obligations and processes.
- The Council Committee Calendar is published on the Council website along with agendas, minutes and reports.
- News, policies and information for the public and staff are to be found on the website.
- The public are able to view various Council meetings that are web-cast for those who are unable to attend the Council Chamber in person; the web-casts are recorded and can be downloaded for those who are unable to watch the meeting at the allocated time.

- Council meetings are open to the public with the exception of ‘exempt and confidential information’ whereby the public are asked to leave the Council Chamber in accordance with the Local Government Act 1972.
- 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.
- The Authority has adopted a ‘Single Equality Scheme’, and has established an Equality and Diversity working group. There are representatives from across the organisation, as well as a Member with the role of 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.
- Consultation is an integral part of any large project plan. Consultations are communicated to the public via the website and other publications.
- The Authority adheres to the Local plan and national planning policy.
- The public are 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.
- Financial Statements are published on the website annually, including the Annual Governance Statement.
- Spending data over £500 is published on the website as part of the transparency programme.
- 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, and the Environmental Information Regulations through the Central Services.

4. REVIEW OF EFFECTIVENESS

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.

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

- Cornwall Council is commissioned as Internal Auditors for the Council of the Isles of Scilly. The Head of Internal Audit provides an annual report giving opinion on overall adequacy and effectiveness of the Authority’s risk management systems and internal

controls and an interim report during the year. These reports draw attention to any issues the Head of Internal Audit assesses as relevant to the preparation of the Annual Governance Statement, summarizing the Authority's performance and that of the internal audit function.

- The Council of the Isles of Scilly has financial management arrangements in place that conform with the governance requirements of CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government Framework. Governance arrangements are under constant review and the Authority seeks to make improvements.
- The reports of the Head of Internal Audit, as well as assurances and reports from external auditors, third parties, Members and Officers are used in the preparation of the Annual Governance Statement prior to its review, challenge and approval by Full Council.
- Overall responsibility for the governance framework including the system of internal control rests with the Chairman of the Council and the Chief Executive.
- Systems have been put in place to improve:
 - Procedures and work instructions as part of a handover for maternity absence,
 - Payment procedures supported with appropriate evidence
 - A review of the processes within financial systems has ensured that there is adequate segregation of duties between staff
 - Control account reconciliations are reviewed at supervisory level
 - The Risk Management Strategy has been updated along with the guidance for staff 2014-17.
- A review of all strategies and policies is scheduled following the reshaping of the Authority.
- The Council's Asset Management Plan is written and has been initially implemented with further work to be progressed.
- Following a review of best methods of communications, proposals for a new website and intranet for staff, and the internal communication functions of the newsletter, the Wave, in a regular up-to-date fashion. Stand-up Round-up meetings were also instigated in 2013/14.
- No major concerns on the standards of work within the Council were reported from the Council's external auditors for the year 2013/14.
- The Council's internal auditors considered the control environment to be poor due to weaknesses in corporate governance. Measures have been identified to address these issues within the redesigned services of the Council, including recommendations raised in the previous year's audit reports.

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 2013/14.	Recommendations have been made by Internal Audit and these are being addressed through task and finish groups.
5.2	Business Continuity Planning is out of date.	A draft plan has been produced and will be finalised as the organisation reshaping takes place.
5.3	Corporate Performance and Risk Management arrangements were considered poor due to existing strategies and plans in need of review with Corporate and Service objectives being aligned. Risk Registers are in place but are in need of review with integration of performance, risk and financial reporting.	Task and Finish Groups have been arranged to address these issues.
5.4	The Council need to review current procurement processes and contract management arrangements to comply with EU regulations.	<p>This is being addressed as one of the priorities of the Procurement Task & Finish Group.</p> <p>Formal written procedure to be completed and monitoring and communication of contracts kept should there be a need to terminate the contract.</p> <p>This will also be addressed in a new structure with formalized staffing arrangements for procurement and project management.</p>
5.5	Budget monitoring appears to be adhoc with no formal monitoring and reporting upwards	Budget monitoring is to be mandatory and returns are monitored.
5.6	Regular errors are identified in the payroll data and although resolved monthly there is no formalized procedure relating to either payroll management or contract management.	The Council is continuing to monitor the process, payroll services and procedures are scheduled to be reviewed in the coming year.
5.7	The HRA and council tax reconciliations do not include housing benefit or council tax as a method of payment with Housing benefit reconciled at year end.	Housing and Council tax benefit payments are to be incorporated as a method of payment within the General Ledger reconciliations.
5.8	Agreements are needed for arrangements to pay debts owed to the Council with a debt recovery policy in place in order to recover aged debts.	<p>Future repayment arrangements to be formalised by written agreements regarding sales ledger debts by 31 July 2014.</p> <p>A draft debt recovery policy was drawn up in December 2013.</p>

No	Issue	Action Planned
		The process for housing rents debt recovery, reporting and escalation is to be reviewed.
5.9	Sundry debtor invoices raised for the first two quarters of the 2013/14 commercial and sewage billing had been charged the 12/13 fees & charges rate with the 2% increase having not been applied. This anomaly had not been appropriately escalated.	Checks are to be made prior to bills being issued to ensure the correct fees & charges are charged.
5.10	Financial processes operating for the processes CT, NNDR, W&S, Housing Rents and Sales Ledger systems to do not allow for an adequate separation of duties between staff.	Segregation of duties has already been addressed.

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