

# Report

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| Report to:       | <b>Risk and Audit Scrutiny Forum</b>                        |
| Date of Meeting: | <b>13 June 2018</b>   |
| Report by:       | <b>Executive Director (Finance and Corporate Resources)</b> |

|          |  |
|----------|--|
| Subject: | <b>Annual Governance Statement for 2017-18 and<br/>Good Governance Action Plan Quarter 4 Progress<br/>Report</b> |
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Provide the proposed Annual Governance Statement for 2017-18, for inclusion in the council's 2017-18 Annual Accounts following approval by the Executive Committee.

## 2. Recommendation(s)

2.1. The Risk and Audit Scrutiny Forum is asked to approve the following recommendation(s):-

- (1) that the Annual Governance Statement, attached at Appendix 2, due to be included in the Council's 2017-18 Annual Report and Statement of Accounts is noted; and
- (2) that the Good Governance Action Plan progress at Quarter 4 detailed in Appendix 3, is noted.

## 3. Background

3.1. Each year the Council undertakes a comprehensive review of the governance arrangements that are required to support the Council's financial and operational controls. The annual review of governance arrangements informs the Governance Statement which is included within the Council's Annual Accounts.

3.2. On 1 April 2016, a new governance framework came into effect, Delivering Good Governance in Local Government and the associated guidance for Scottish Local Authorities was published in December 2016. This framework was established by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The review of governance arrangements was informed by this new framework and the council's governance assessment framework which is outlined at Appendix 1.

3.3. During autumn 2017, representatives from the Good Governance Group undertook a review of the governance process and developed a new Local Code of Corporate Governance and a revised Governance Statement template. These documents make clear linkages with the CIPFA/SOLACE framework and the Governance Statement now also provides an annual record of how the Council complies with its Local Code of Corporate Governance.

3.4. One outcome from the annual review of governance arrangements is the Governance Improvement Plan. The actions in this plan are monitored by the Good Governance Group and progress is reported at Quarter 2 and Quarter 4.

#### 4. Annual Governance Statement 2017-18

- 4.1. The Annual Governance Statement for 2017-18 is attached at Appendix 2. Internal Audit's opinion is that reasonable assurance can be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ending 31 March 2018.
- 4.2. Section 7 of the statement lists the "corporate level" governance areas for improvement that were identified during the review of governance arrangements. Progress will be monitored through the Good Governance Group and reported at Quarter 2 and Quarter 4 to the Risk and Audit Scrutiny Forum and at Quarter 4 to the Executive Committee. Resource level governance areas for improvement will be monitored by Resources and reported through the Service/Resource Planning process.

#### 5. Governance Improvement Plan 2017-18 - Quarter 4 Progress Report

- 5.1. Progress against the areas identified as requiring action and improvement in the previous year (Annual Governance Statement for 2016-17) is attached as Appendix 3. This report has been produced from the council's performance management reporting system IMPROVe, and uses a traffic light format with the following definitions to give a status report on each measure:-

| Status       | Definition  |
|--------------|---|
| Green        | The timescale or target has been met as per expectations  |
| Amber        | There has been minor slippage against timescale or minor shortfall against target   |
| Red          | There has been major slippage against timescale or major shortfall against target   |
| Report later | The information is not yet available to allow us to say whether the target has been reached or not. These will be reported when available |
| Contextual   | These are included for 'information only', to set performance information in context  |

- 5.2. The overall summary of progress as at Quarter 4 is as follows:-

| Status                  | Measures   |             |
|-------------------------|------------|-------------|
|                         | Number     | %           |
| Green                   | 139        | 98%         |
| Amber                   | 0          | 0%          |
| Red                     | 0          | 0%          |
| Report later/Contextual | 3          | 2%          |
| <b>Totals</b>           | <b>142</b> | <b>100%</b> |

#### 6. Next Steps

- 6.1. The Governance Statement will be presented to the Executive Committee for approval.
- 6.2. The Governance Team will review and update the Council's Local Code of Corporate Governance with the changes highlighted from the review of governance arrangements.

6.3. The Good Governance Group will evaluate the governance review process and refine this in preparation for the 2018-19 review of governance arrangements.

## **7. Employee Implications**

7.1. Officers will continue to attend the Good Governance Group and will commit time to review and monitor governance and assurance arrangements.

7.2. Officers will be assigned to lead on areas identified as improvement areas.

## **8. Financial Implications**

8.1. There are no financial implications directly associated with this report.

## **9. Other Implications**

9.1. The statement will be subject to review by Audit Scotland as part of their consideration of the Council's Annual Report.

9.2. There are no significant issues in terms of sustainability or risk directly associated with this report.

## **10. Equality Impact Assessment and Consultation Arrangements**

10.1. All Resources, through senior officers, are involved in the progress, monitoring and review of governance good practice and the development of the Annual Governance Statement.

10.2. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

15 May 2018

### **Link(s) to Council Objectives/Values/Ambitions**

◆ All Council Objectives, Values and Ambitions

### **Previous References**

◆ None

### **List of Background Papers**

◆ None

### **Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

Geraldine McCann, Head of Administration and Legal Services

Ext: 4516 (Tel: 01698 454516)

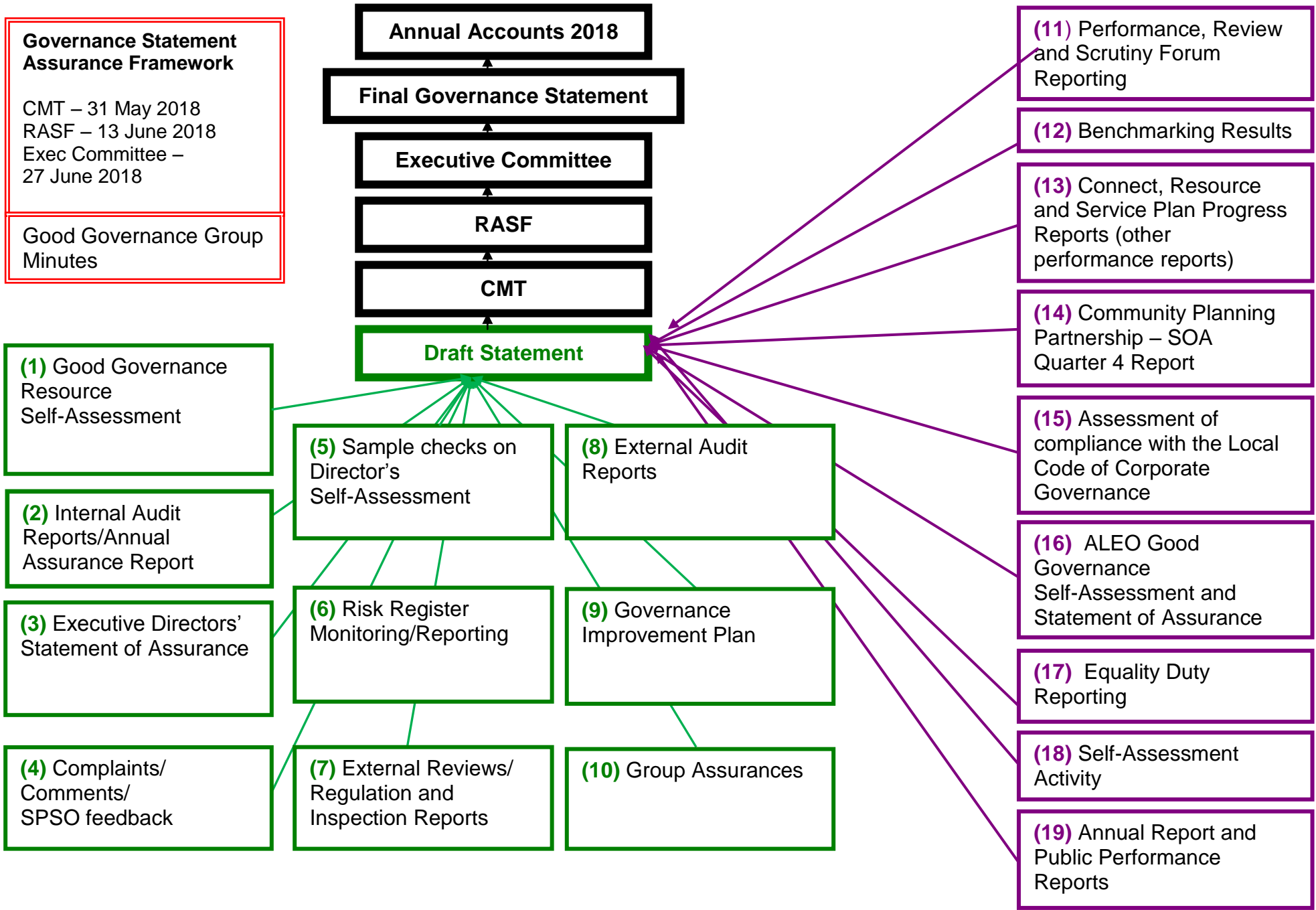
Email: [geraldine.mccann@southlanarkshire.gov.uk](mailto:geraldine.mccann@southlanarkshire.gov.uk)

or

Aileen Murray, Community Planning and Governance Adviser

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## Annual Governance Statement 2017-18

 Links to documents will be added when published

### 1. Scope of responsibility

The residents of South Lanarkshire expect the council to conduct its business in a lawful and transparent way. In particular, the council has a duty to safeguard public money and account for it; and to continuously review and improve how its functions are discharged, focussing on the priorities of economy, efficiency and effectiveness.

The council is responsible for putting in place proper arrangements for the governance of its activities, facilitating the effective exercise of its functions including clear arrangements for the management of risk.

A Local Code of Corporate Governance has been approved and adopted. This is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) framework entitled 'Delivering Good Governance in Local Government'.

This statement explains how South Lanarkshire Council has complied with the code during 2017-18 and meets legislative requirements to include the Annual Governance Statement within the Annual Accounts.

### 2. The purpose of the governance framework

The governance framework comprises the culture, values, systems and processes by which the council is directed and controlled. It describes the way the council is accountable to communities. It enables the council to monitor the achievement of its strategic objectives and consider whether these objectives have led to the delivery of appropriate and 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 is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's aims and objectives by evaluating the likelihood and potential impact of those risks being realised. This enables the council to manage risk efficiently, effectively and economically.

The governance framework has been in place at South Lanarkshire Council for the year ended 31 March 2018 and up to the date of approval of the Annual Report and Accounts.

### 3. The governance framework

#### Visions and Aims for the Community

The council's vision is 'to improve the quality of life of everyone in South Lanarkshire'. The [Council Plan, Connect 2017-2022](#) sets out the council's vision, values and objectives and what difference this will make to the residents and communities of South Lanarkshire. The [Community Plan 2017-27](#) sets out a common vision for the South Lanarkshire Community Planning Partnership and shows how the partners aim to achieve that vision.

The following table sets out how the council has complied with its [Local Code of Corporate Governance](#). Key elements of the systems and processes that comprise the council's

governance arrangements are described below. These systems and processes are fit for purpose and provide assurance that the council is discharging its obligations to residents.

| Principle  | Assurance on compliance   |
|--|---|
| <p><b>Principle A:</b><br/>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law</p> | <ul style="list-style-type: none"> <li>• The council has revised its employee Code of Conduct and Induction Checklist and developed a new Behaviours Framework. These documents outline the expected standards of behaviour required to ensure integrity.</li> <li>• All councillors have received training in the standards of behaviour required in line with the Code of Conduct for Councillors. This has been supplemented with approval of role profiles for all members which has, as a core accountability, to maintain the highest standards of conduct.</li> <li>• The council's Local Code of Corporate Governance which sets out the behaviours and values that the council is committed to was revised during 2018-19 and aligned with the CIPFA/SOLACE guidance on Delivering Good Governance in Local Government.</li> <li>• The council approved revised committee management procedural documents including decision making protocols, contracts and financial regulations. Information on all declarations of interest made by councillors is available to the public.</li> <li>• There are a range of policies, for example anti-fraud and corruption and whistleblowing that promote ethical behaviour amongst employees and councillors. Whistleblowing for Third Parties and Confidential Reporting procedures will be revised during 2018-19.</li> <li>• The council investigated all reported cases concerning employees of suspected unethical behaviour and non-compliance with the law/policy.</li> </ul>  |
| <p><b>Principle B:</b><br/>Ensuring openness and comprehensive stakeholder engagement</p>  | <ul style="list-style-type: none"> <li>• The Community Engagement Co-ordination Group maintained an overview of partnership community engagement activity. The Community Engagement Framework which underpins the work of this group will be revised during 2018-19.</li> <li>• The council undertook 337 surveys with residents, employees and partners, and through the council's Citizen Panel to better inform service delivery. A summary of public consultations is published on the council's website.</li> <li>• The new Council Plan 2017-2022, Community Plan 2017-2027 and the Annual Budget were developed through internal managers/councillors events and consultations with communities, partners and employees.</li> <li>• Neighbourhood Plans are currently being developed with three local communities and Community Planning Partners in accordance with the requirements of the Community Empowerment (Scotland) Act 2015.</li> <li>• A significant wellbeing survey in partnership with the Scottish Government and Community Planning Partners was carried out with around 17,000 children, young people and parents. The feedback is being used to inform how children's services are shaped and delivered across the partnership in the future.</li> <li>• The Annual Performance Report and Annual Public Performance Reports demonstrate the council's commitment to continuous improvement and achieving Best Value; summarise the progress that the council has made in meeting its objectives and how it is performing locally and nationally.</li> <li>• To ensure inclusivity and help shape service delivery, the council co-ordinates regular engagement with targeted groups such as young people, older people, people with disabilities, black and ethnic minorities, etc. Groups considered items such as the budget consultation, rent setting and performance reporting.</li> </ul> |

| Principle   | Assurance on compliance   |
|---|---|
|   | <ul style="list-style-type: none"> <li>In November 2017, the South Lanarkshire Council Facebook page was launched, providing information such as news and events. In terms of usage, in April 2018, nearly 65,000 people engaged with this page through likes, comments and shares.</li> </ul>  |
| <p><b>Principle C:</b><br/>Defining outcomes in terms of sustainable economic, social and environmental benefits</p>                      | <ul style="list-style-type: none"> <li>The new Council Plan 2017-2022 and Community Plan 2017-2027 have clearly defined economic, social and environmental outcomes to be delivered during the period.</li> <li>The new Sustainable Development and Climate Change Strategy 2017-2022 which sets out the council's strategic outcomes in terms of the council, environment and communities for sustainable development and climate change during the period was published. Progress against the annual action plan was reported to the Corporate Management Team, the Sustainable Development Member/Officer Working Group and the Executive Committee.</li> <li>Annual Resource Plans were reviewed and updated in light of the new Council Plan to ensure clear linkages between the plans. These plans outline outcomes and actions to be achieved within the year and reference linkages with other key strategic plans of the council and partnership plans.</li> <li>Strategic Environmental Assessments (SEA) were completed for all relevant council policies, plans and strategies developed during 2017-18 and the council was recognised for good practice in a national SEA research publication.</li> <li>A summary of the findings resulting from equality impact assessments of the council's key decisions on service users, communities and businesses has been published on the council's website.</li> </ul> |
| <p><b>Principle D:</b><br/>Determining the interventions necessary to optimise the achievement of the intended outcomes</p>               | <ul style="list-style-type: none"> <li>Annual budget setting consultations take place with members of the public and employees and the outcomes of these are reported to councillors prior to budget approval.</li> <li>The council's Performance Management Framework has ensured that progress against intended outcomes has been regularly reported to Resource and Corporate Management Teams; Resource and Executive Committees; and Forums. Decisions and actions to address performance issues have been taken and monitored to ensure that they have been effective.</li> <li>In terms of the 2016-17 Local Government Benchmarking Framework results, the council are performing better than Scottish Average levels for more than half of the indicators. From the 2015-16 results, an action plan was developed and monitored by the Corporate Management Team and the 2016-17 results show that for more than half of the indicators that the council has improved its performance when compared to the previous year.</li> </ul>   |
| <p><b>Principle E:</b><br/>Developing the entity's capacity, including the capability of its leadership and the individuals within it</p> | <ul style="list-style-type: none"> <li>The council has worked with third party service providers and a range of partners to increase capacity to deliver its objectives.</li> <li>In line with the requirements of the Community Empowerment (Scotland) Act 2015, the Community Planning Partnership developed and published its first Local Outcomes Improvement Plan entitled "The Community Plan" within the statutory timescale. Three Neighbourhood Planning areas were identified and work is progressing with these communities and partners to develop local plans.</li> <li>Adult Social Care Services were commissioned by the Integration Joint Board (IJB) to continue to be operationally delivered by the council in line with the strategic direction set out in the Strategic Commissioning Plan and</li> </ul>   |



| Principle  | Assurance on compliance  |
|--|--|
|  | <p>annual IJB Directions. Six monthly performance reports are submitted to the Social Work Resources Committee.</p> <ul style="list-style-type: none"> <li>• Each Resource reviewed and updated its workforce plan and related action plan to better understand workforce capacity issues, further challenges and opportunities to ensure that resources are in the right place, at the right time and have the right skills.</li> <li>• The roles and responsibilities of councillor's were reviewed and their profiles updated to ensure continued effectiveness.</li> <li>• The revised Scheme of Delegation ensured that committees, officers and statutory officers were clear on the decisions that could be made within their area of authority.</li> <li>• Resource Learning and Development Boards considered all training and development needs highlighted through the annual employee appraisal process to support employee personal development.</li> <li>• Training requirements were identified and learning and development programmes were developed and delivered to all councillors. Learning and development opportunities continue to be offered to councillors on an ongoing basis.</li> </ul>   |
| <p><b>Principle F:</b><br/>Managing risks and performance through robust internal control and strong public financial management</p> | <ul style="list-style-type: none"> <li>• Regular compliance monitoring of the council's Risk Management Strategy, Resource Risk Registers and Control Plans was undertaken by the Risk Management Team and Resource Risk Groups. Regular reports were presented to the Corporate Management Team and the Risk and Audit Scrutiny Forum.</li> <li>• A comprehensive review of the council's <a href="#">top risks</a> and the associated control plan was completed.</li> <li>• The council's Internal Audit Service completed its annual programme of risk based audits with an objective of providing an opinion on the adequacy and effectiveness of the council's risk management, governance and internal control arrangements in respect of the council's key priorities. Where improvement was required, action plans were developed and monitored and where necessary follow-up audit work completed.</li> <li>• Through a well established Performance Management Framework, the council has clearly defined processes in place for the identification, monitoring and reporting of its objectives to ensure continued effectiveness and the achievement of Best Value. Progress is monitored and reported quarterly at Resource level with a six-monthly cycle of reports to the Corporate Management Team, Resource Committees, the Performance and Review Scrutiny Forum and the Executive Committee. A report which highlights areas of under-performance and the actions that will be taken to improve this was also considered by the Performance and Review Scrutiny Forum.</li> <li>• The annual review of compliance with the council's Information Management Framework did not highlight any significant areas of concern. Each Resource developed and implemented an action plan for those areas of improvement that were identified.</li> <li>• The Information Governance Board supported by Internal Audit, ensured regular scrutiny and the promotion of effective arrangements for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.</li> <li>• An action plan was developed to assist with strategic preparations and actions for Resources in connection with operational compliance with the</li> </ul> |

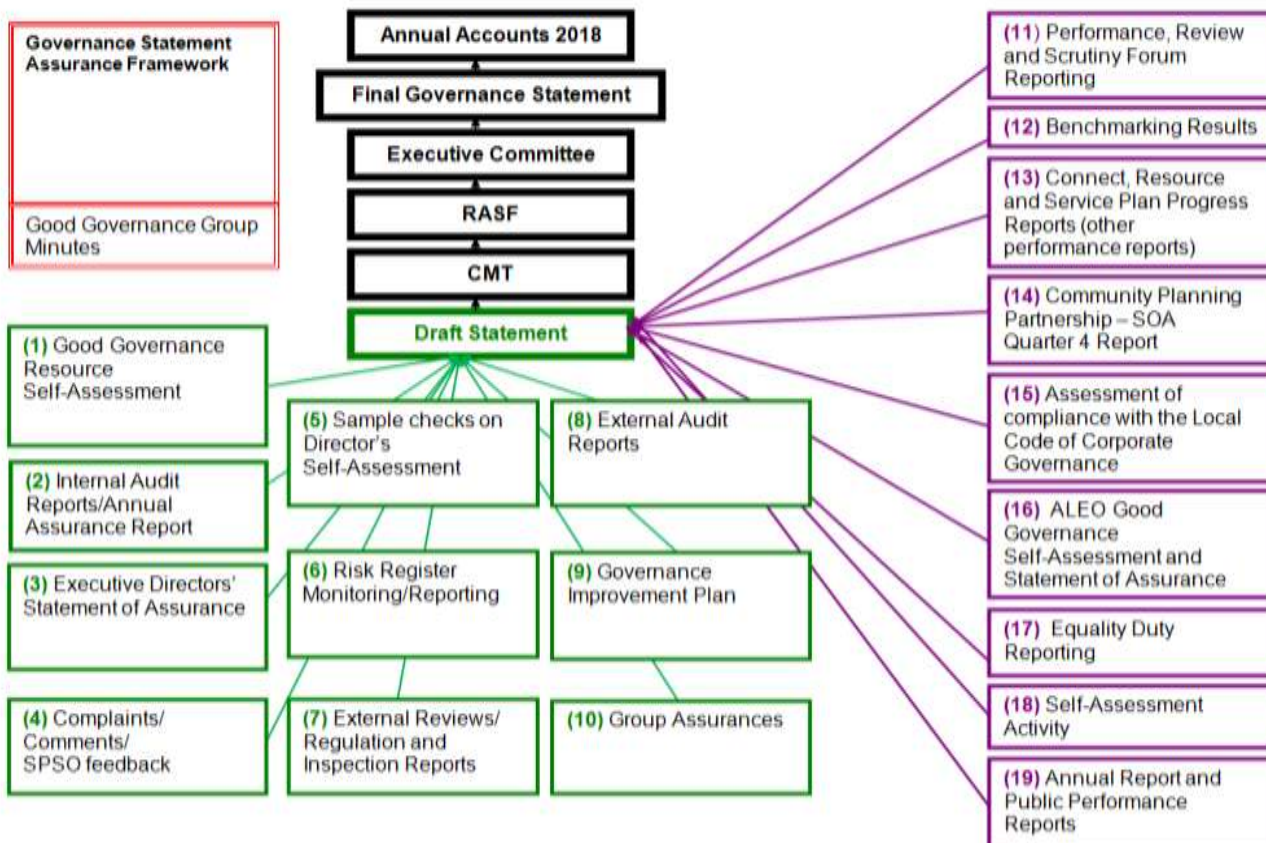


| Principle  | Assurance on compliance  |
|--|--|
|  | <p>introduction of the General Data Protection Regulation in May 2018. This was progressed through the Information Governance Board and reported to the Corporate Management Team and Committee. Relevant employees attended training on the new legislation. All Resources are undertaking actions to ensure operational compliance with the changed laws.</p> <ul style="list-style-type: none"> <li>• The Medium Term Financial Strategy 2016-19 was updated during the year to reflect the new council priorities, and other internal and external influences. This document also includes a Long Term Financial Plan which considers up to seven years ahead. The 2018-19 Revenue Budget and Capital Programme for 2018-19 and 2019-20 was approved by Council. Revenue and Capital Budgets for 2017-18 were reported regularly to the Corporate Management Team, Committees and Forums. The financial regulations were also reviewed and updated to ensure continued effectiveness in decision making practices.</li> <li>• The Executive Director of Finance and Corporate Resources is a member of the council's Corporate Management Team and as such, is involved in all major decisions taken by the council's Chief Officers, and in material matters which are submitted to councillors for decision. This involvement fulfils the expectation of CIPFA in terms of the role of the Chief Financial Officer.</li> </ul>   |
| <p><b>Principle G:</b><br/>Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p> | <ul style="list-style-type: none"> <li>• Further to the evaluation of the process and procedures used in the 2016-17 annual review of governance arrangements, new arrangements were developed and implemented in line with the CIPFA/SOLACE Delivering Good Governance Framework.</li> <li>• The annual review of Governance Arrangements has been completed at Resource level. Whilst there are no new significant issues to highlight in this statement, governance improvement actions have been identified and are included in Resource Action Plans/the Governance Improvement Action Plan. Progress against actions will be reported to the Corporate Management Team, Committees and Forums.</li> <li>• The remit for the Risk and Audit Scrutiny Forum is currently being reviewed and the findings will be implemented during 2018-19.</li> <li>• Outcomes from both external and internal audit activities were reported to the Corporate Management Team and the Executive Committee and were monitored by the Risk and Audit Scrutiny Forum.</li> <li>• A recent external review of the Internal Audit Service highlighted some areas for improvement and an action plan has been developed for implementation. Progress will be monitored through the Risk and Audit Scrutiny Forum. The review supported the assertion in previous annual assurance reports that the council's Internal Audit function generally conforms to Public Sector Internal Audit Standards.</li> <li>• Committee meetings are held in public and all agendas, reports and decisions are published (except those exempt under the Access to Information Act) on the council's website.</li> <li>• All of the council's political management documents were revised and are published on the council's website.</li> <li>• The council's digital public performance reports were refined to enhance customer experience. Members of the public can now find relevant performance information which includes trends, comparisons and areas of improvement at a glance.</li> </ul> |

#### 4. Review of effectiveness

The council has responsibility for conducting an annual review of the effectiveness of its governance framework including the system of internal control. The following diagram outlines the steps that the council takes when undertaking an annual review of the effectiveness of its governance arrangements.

2017-18 Annual Governance Statement Assurance Framework



#### 5. Group Assurances

In respect of the Joint Boards, Charities and Companies that fall within the council’s group boundary, the review of their internal financial control systems is informed by:-

- Annual Governance Statements included in the respective financial statements of the Joint Boards;
- Assurances from company directors and/or other senior company officials; and
- The work of the relevant bodies respective external auditors (and where relevant internal auditors) and other interim reports.

The Executive Director of Finance and Corporate Resources, the council’s Chief Financial Officer, has considered the effectiveness of the Group’s internal financial control system for the year ended 31 March 2018. It is the Executive Director of Finance and Corporate Resources’ opinion that reasonable assurance can be placed upon its effectiveness.

#### 6. Assurance

The 2016-17 review in relation to operational controls within one service concluded in 2017-18, identifying further practices that required improvement. Additional action plans were developed and management has taken steps to implement all recommendations. Follow-up audit work is planned during 2018-19 to ensure that, through the implementation of

these actions, procurement arrangements within the service are robust and effective and that overall governance has improved.

The opinion of the council's Risk Management Service is that a good level of assurance can be placed on the council's strategic risk control environment and a good level of assurance can be placed on the council's operational risk control environment.

Overall, reasonable assurance can be placed on the adequacy and effectiveness of the council's framework of governance, risk management and control arrangements for the year ending 31 March 2018.

## 7. Governance Areas for Improvement

Progress against the areas identified as requiring action and improvement in the previous year are available to view on the council's website; see the [Good Governance Action Plan](#). The following areas for improvement at a corporate level have been identified through the annual governance review:-

| Subject                        | Action(s)  | Responsible Officer                         | Target completion date |
|--------------------------------|--|---|------------------------|
| Committee Management           | Implement the findings of the Risk and Audit Scrutiny Forum Review   | Head of Administration and Legal            | 31 March 2019          |
| Community Planning             | Develop a Community Planning Partnership Participation and Engagement Strategy   | Director of Finance and Corporate Resources | 31 March 2019          |
| Community Planning             | Continue working with the three pilot communities to co-produce and deliver Neighbourhood Plans together with Community Planning Partners  | Director of Finance and Corporate Resources | 31 March 2019          |
| Equalities – Impact Assessment | Review the Equality Impact Assessment online recording tool and process  | Head of Personnel                           | 31 March 2019          |
| Finance - Charities            | Ongoing implementation of the review of Charities  | Head of Finance - Strategy                  | 31 March 2019          |
| Finance - Procedures           | Formalisation of a document to be used by all Resources to form a consistent approach to following the public pound  | Head of Finance - Strategy                  | 31 March 2019          |
| Finance - Strategy             | An updated medium/long term financial strategy will be prepared and reported to Committee. Work to agree a 2019-20 budget by February 2019 will be ongoing   | Head of Finance - Strategy                  | 28 February 2019       |
| Governance                     | Local Code of Corporate Governance to be approved and rolled out to all employees and elected members  | Head of Administration and Legal            | 31 March 2019          |
| Information Governance         | Implement the General Data Protection Regulation on 25 May 2018 including the provision of legal advice and supporting guidance on behalf of the Information Governance Board and prepare for the same implementation of Part 3 of the Data Protection Bill in relation to law enforcement | Head of Administration and Legal            | 31 December 2018       |

| <b>Subject</b>           | <b>Action(s)</b>  | <b>Responsible Officer</b>                  | <b>Target completion date</b> |
|--------------------------|---|---|-------------------------------|
| Learning and Development | Develop a training needs analysis for all elected members   | Head of Personnel                           | 31 July 2018                  |
| Performance Reporting    | Consider feedback from External Audit on the Annual Performance Report and implement any changes that may be required               | Head of Strategy and Communications         | 31 October 2018               |
| Risk Management          | Review the Risk Management Partnership Guidance   | Head of Finance - Transactions              | 31 December 2018              |
| Strategy and Plans       | Develop a Corporate Communications Strategy   | Head of Communications and Strategy         | 31 August 2018                |
| Strategy and Plans       | Identify and make appropriate links between the Equality Impact Assessment process and the requirements of the Fairer Scotland Duty | Head of Personnel                           | 31 March 2019                 |
| Strategy and Plans       | Develop a Recruitment Strategy  | Head of Personnel                           | 31 March 2019                 |
| Strategy and Plans       | Revise the Whistleblowing for Third Parties and Confidential Reporting procedures   | Director of Finance and Corporate Resources | 30 September 2018             |

In addition to the improvement actions listed above, each Resource has identified service level improvements to governance arrangements. Progress against these actions will be monitored and reported through the Service/Resource Planning process.

The annual review demonstrates sufficient evidence that the code's principles of delivering good governance in local government operated effectively and that the council complies with the Local Code of Corporate Governance. During 2018-19, steps will be taken to address the governance improvement areas to further enhance the council's governance arrangements and evidence our commitment to continuous improvement.

**John Ross**  
**Leader of the Council**

**Signature:**

**Date:**

**Lindsay Freeland**  
**Chief Executive**

**Signature:**

**Date:**

**Paul Manning**  
**Executive Director (Finance and Corporate Resources)**

**Signature:**