
NORTH AYRSHIRE COUNCIL

12 June 2020

Emergency Governance Decisions (Covid-19 Outbreak)

Title: Annual Governance Statement 2019-20

Purpose: To seek approval of the Council's Annual Governance Statement for 2019-20 which will be included within the draft Annual Accounts.

Recommendation: That the Chief Executive, following appropriate consultation, approves the Annual Governance Statement which is attached at Appendix 1 to this report.

1. Executive Summary

- 1.1 The Council's Annual Governance Statement outlines the governance framework which is in place and changes which have been made to strengthen the framework during 2019-20.
- 1.2 Approval of the Statement will ensure that the Council complies with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

2. Background

- 2.1 In light of the current Covid-19 outbreak, meetings of the Council and its committees have been suspended until 30 June 2020. During this period, the Scheme of Delegation to Officers already allows the Chief Executive to consider and deal with any urgent issues, howsoever arising, subject to reporting back to the Cabinet for information at the first available opportunity. This power is to be exercised in consultation with the relevant Chief Officer and the relevant portfolio holder. Please see Section 5 for further details of the consultation which has been undertaken in the preparation of this report.
- 2.2 North Ayrshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively to achieve Best Value.

- 2.3 The Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 2.4 The Council 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'.
- 2.5 The Local Authority Accounts (Scotland) Regulations 2014 require that local authorities prepare an Annual Governance Statement, in accordance with proper practices in relation to internal control, and that this Statement should be approved by the Audit Committee or equivalent.
- 2.6 Following approval of the Annual Governance Statement, it requires to be signed by the Leader of the Council and the Chief Executive prior to its inclusion within the Council's draft annual accounts.
- 2.7 The Annual Governance Statement, which is attached in full at Appendix 1 to this report, explains how the Council complies with the Code of Corporate Governance. It identifies the main components of the Corporate Governance Framework which are in place, including the system of internal control, and details the changes which have taken place to the framework during 2019-20.
- 2.8 The Statement also identifies the emergency changes to its governance framework which the Council has implemented in the early part of 2020-21 in response to the Covid-19 pandemic. It concludes with an assurance statement by the Leader of the Council and the Chief Executive.

3. Proposals

- 3.1 The Chief Executive, following appropriate consultation, is invited on behalf of the Council to: approve the Annual Governance Statement which is attached at Appendix 1 to this report.

4. Implications/Socio-economic Duty

Financial

4.1 None.

Human Resources

4.2 None.

Legal

4.3 Approval of the Annual Governance Statement will ensure that the Council complies with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

Equality/Socio-economic

4.4 None.

Environmental and Sustainability

4.5 None.

Key Priorities

4.6 Good governance arrangements help to underpin the delivery of the Council's key priorities.

Community Wealth Building

4.7 None.

5. Consultation

5.1 No consultation has been required during the preparation of the Annual Governance Statement.

Mark Boyd
Head of Financial and Customer Services

For further information please contact **Paul Doak, Senior Manager (Internal Audit, Risk and Fraud)**, on **pdoak@north-ayrshire.gov.uk**.

Background Papers

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Annual Governance Statement

Scope of Responsibility

North Ayrshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively to achieve Best Value.

The Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016). A copy of the local code is available on the Council's website, or a copy can be obtained from the Chief Executive's Service, North Ayrshire Council, Cunninghame House, Irvine KA12 8EE.

This statement explains how North Ayrshire Council complies with the Code of Corporate Governance and meets the requirements of the 'Code of Practice for Local Authority Accounting in the UK: A Statement of Recommended Practice', in relation to the Statement on the System of Internal Financial Control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled. 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 and the achievement of key outcomes.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively.

The Governance Framework

The main features of the governance framework that was in place during 2019-20 are below:

- The Cabinet was the key decision-making Committee, comprising the Leader of the Council, the Deputy Leader and four members of the Administration, each with a specific portfolio of duties. An Education Cabinet comprised the same members and also included church and teaching profession representatives. The Audit and Scrutiny Committee, which is chaired by the Leader of the Main Opposition, was in place to consider all matters in relation to Internal and External Audit, Risk Management, Scrutiny and Performance, as well as receiving reports on the findings of external scrutiny bodies. A 'Policy Advisory Panel' consisting of all elected members assisted in the preparation of policy proposals for consideration and approval by Cabinet;
- Strategic decision-making is governed by the Council's key constitutional documents including standing orders, scheme of administration, scheme of delegation to officers and financial regulations and associated codes of financial practice. These were refreshed and approved by the Council in September 2019;
- The Council has six Locality Partnerships, covering Irvine, Kilwinning, the Three Towns, Arran, the North Coast and the Garnock Valley. Chaired by a local Elected Member, the Partnerships provide the opportunity for Elected Members, Community Planning Partners and local community representatives to consider the priorities for each area.
- The Council, together with NHS Ayrshire and Arran, established an integrated Health and Social Care Partnership (HSCP), which has been in place since April 2015. The HSCP has established a governance framework and an integrated senior management structure to support delivery of its key objectives.
- The Council's mission and vision and key priorities are outlined in the Council Plan 2019-2024 which is underpinned by a delivery plan and a range of performance indicators.

- A 'People Strategy' entitled 'Our People Connect' is in place to support the delivery of the Council Plan and its strategic priorities by focussing on developing the right culture and helping the Council transform to be a leaner, more efficient and higher performing organisation where people can develop and thrive.
- The Performance Management Strategy focuses very firmly on embedding a performance management culture throughout the Council. A Performance Management Forum (PMF) is in place to help embed a high-performance culture throughout the Council. Regular reporting to Elected Members takes place and a wide range of performance information is available on the 'North Ayrshire Performs' website;
- The Council has adopted a 'Code of Conduct' for all of its employees. Elected Members adhere to the national 'Code of Conduct for Councillors' and a register of interests is in place;
- The approach to risk management is set out in the Risk Management Strategy. The Council's strategic risk register is refreshed annually and for 2019-20 was approved by Cabinet in March 2019;
- The Council has in place a development programme for all Elected Members. Leadership and Development programmes are also established for chief officers and senior managers across the Council. This was enhanced through a new programme known as 'Blue Wave of Change' which continued during 2019-20.
- A Performance and Personal Development (PPD) scheme and a range of training opportunities are provided for all employees, the aim of which is to focus employees on their performance and development that contributes towards achieving Service objectives. This was relaunched as 'Our Time to Talk' during 2019-20;
- In order to ensure its asset management arrangements are robust, the Council has established the Corporate Asset Strategy. The Asset Strategy was refreshed during 2017-18 to reflect the new requirement to publish a Capital Investment Strategy and Technology and Digital Strategies are in place to support the ICT asset management plan and the transformation agenda. This is underpinned by 6 themed asset management plans, in line with categories recommended by CIPFA: property, housing, ICT, open spaces, road and fleet. These asset management plans were refreshed during 2019-20;
- A Capital Programme and Assets Group (CPAG), consisting of senior officers from across Council services and chaired by the Executive Director (Finance and Corporate Support), is in place. This group monitors the delivery of the Council's capital programme, helping to ensure that projects are delivered on time and within budget. The work of this group is supported by Service Project Boards.
- The Council has a long-term financial outlook, which covers the period to 2027/28. This sets out the scale of the potential financial challenge and the approach to pro-actively address it, ensuring financial sustainability of the Council;
- The Council has Internal Audit and Corporate Fraud teams to carry out independent and objective reviews of governance and internal control arrangements and investigate allegations of fraud and error both within and against the authority.
- An Information Governance framework is in place which complies with the General Data Protection Regulation (GDPR), supported by a central team of staff within Democratic Services.
- The Council has a robust Corporate Health, Safety and Wellbeing Policy to help ensure it complies with health and safety legislation.
- An annual report is prepared for Cabinet by the Council's statutory Chief Social Worker.
- The Council has a two-stage Complaints Procedure, which provides a transparent and standardised process for customers who wish to complain and enables the Council to manage complaints more effectively and to identify any service improvements which may be required.

The governance framework has been in place at North Ayrshire Council throughout the year ended 31st March 2020.

The System of Internal Financial Control

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by Chief Officers within the Council. In particular, the system includes:

- Financial regulations and codes of financial practice;
- Comprehensive budgeting systems;
- Regular reviews of periodic and annual financial reports that indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital expenditure guidelines;
- Formal project management disciplines.

The Council's financial management arrangements conform to the governance requirements of the CIPFA statement: 'The Role of the Chief Financial Officer in Local Government (2016)'.

With regard to the entities incorporated into the Group Accounts, the Council is not aware of any weaknesses within their internal control systems and has placed reliance on the individual Statements of Internal Financial Control where appropriate.

Review of Effectiveness of the Governance Framework

North Ayrshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the framework is informed by the work of the Executive Leadership Team who have responsibility for development and maintenance of the governance environment, the annual report by the Senior Manager (Internal Audit, Risk and Fraud) and reports from the Council's external auditors Deloitte LLP, Audit Scotland and other review agencies.

The Section 95 Officer has overall responsibility for Internal Audit in North Ayrshire Council. The Senior Manager (Internal Audit, Risk and Fraud) is responsible for the management of the section and reports directly to the Section 95 Officer on all audit matters, with the right of access to the Chief Executive and Chair of the Audit and Scrutiny Committee. The Internal Audit section is fully resourced to deliver its 5-year audit plan and complies with the Public Sector Internal Audit Standards (PSIAS) in carrying out its audit work. Regular reports were made to the Council's Audit and Scrutiny Committee throughout 2019-20.

As detailed in the 'Internal Audit Charter' that has been adopted by the Council, the Internal Audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal control. The Senior Manager (Internal Audit, Risk and Fraud) prepares an annual report, including an assurance statement containing a view on the adequacy and effectiveness of the governance, risk management and internal control frameworks.

Implementation during 2019-20 of Governance Developments identified in 2018-19 AGS

A new Council Plan, covering the period from 2019 to 2024, was approved in draft by the Council at the end of March 2019. Following a period of public consultation, the finalised plan was approved at the full meeting of the Council on 26 June 2019.

Following the appointment of Craig Hatton as Chief Executive in Autumn 2018 and the development and approval of the new Council Plan, a new Council structure was implemented in Summer 2019. This has two main directorates aligned to the Council Plan – Place and Communities – which will help ensure the Council is well placed to deliver the best possible outcomes for our communities. The Finance and Corporate Support Directorate also remained in place at that time, but the constituent Services moved into the Chief Executives Service in a second phase of the restructure in April 2020.

A new Medium-Term Financial Outlook covering the period 2020/21 to 2022/23 was approved by the Council in December 2019. This notes the scale of the financial challenge which the Council faces and underpins the development of a balance budget. The Revenue and Capital Estimates were approved by the Council on 5th March 2020.

Other Significant Governance Developments during 2019-20

The External Audit Interim Report 2018/19 recommended the Council undertake an annual self-evaluation of committee and Council performance. Given that CIPFA's "Delivering Good Governance in Local Government" is already adopted and an annual report to Council reviewing core governance documentation is produced, the auditors agreed that this recommendation could be met by assessing the effectiveness of the current Audit and Scrutiny Committee via a self-evaluation exercise, to be undertaken in line with best practice frameworks. A self-assessment toolkit was developed, largely based on toolkits developed by CIPFA and Deloitte. This was largely positive, and a small number of improvement actions were identified and implemented. The Committee agreed that this would be reviewed annually.

A Best Value Audit Review was carried out by Audit Scotland and Deloitte LLP in January and February 2020. The draft report is currently being prepared and is expected to be presented to the Accounts Commission in June 2020.

The Council undertook a staff survey called 'Our Voice' in Autumn 2019. This survey combined three surveys previously issued to employees on the topics of engagement, stress and healthy working lives, with the addition of a new element around health and safety culture. The aim of the Our Voice survey was to gain a holistic picture of how employees view the Council by focusing on a number of areas, whilst also reducing the number of surveys that employees are invited to complete.

During 2019-20, the Council developed a Community Wealth Building approach which was approved in May 2020. This will see the Council and other 'anchor organisations' working in partnership with communities and businesses and marks a fundamental change in how the Council will tackle inequality and poverty to create a fairer and more resilient local economy.

The Internal Audit Annual Report 2019-20 highlights a number of findings by the Council's Internal Audit section which indicate some weaknesses in the internal control environment. Action plans are put in place to address control weaknesses on conclusion of each audit and implementation of audit actions is tracked on a quarterly basis by the Council's Audit and Scrutiny Committee. None of these are considered material enough to have a significant impact on the overall control environment and it is the opinion of the Senior Manager (Internal Audit, Risk and Fraud) that the Council's systems of internal control continue to provide reasonable assurance against loss.

Further Actions for 2020-2021

On 11th March 2020 the World Health Organisation declared the outbreak of COVID-19 as a global pandemic and on 23rd March the United Kingdom entered a period of lockdown.

This had an unprecedented impact on the governance and operations of the Council. All meetings of the Council and its Committees were suspended until 30th June 2020. During this period, additional delegated powers were granted to the Chief Executive.

The Scheme of Delegation to Officers already granted the Chief Executive the following powers - "To consider and deal with any urgent issues, whether arising during a recess period or otherwise, subject to reporting back to the Cabinet at the first available opportunity. This power is to be exercised in consultation with the relevant Chief Officer and the relevant portfolio holder".

The Scheme of Delegation was amended to grant the following additional powers during the emergency - "In consultation with the Leader of the Council, the Leader of the Opposition, the Leader of the Conservative Group, an Independent Member nominated by the Independent Members, and the Monitoring Officer and if required to enable effective decision making or otherwise in relation to the COVID-19 outbreak, to amend the Standing Orders for Meetings, the Scheme of Administration, the Scheme of Delegation to Officers, the Standing Orders for Contracts or the Financial Regulations as is required to meet the circumstance arising".

All decisions taken by the Chief Executive during this period on behalf of the Council and its Committees have been clearly documented and are visible on the Council website.

The impact on the Council's operations during the period of emergency included the following:

- Impact on the delivery of business as usual services
- New areas of activity as part of the national and local response to the emergency
- The funding and logistical consequences of delivering the response
- Assessment of the long-term disruption and consequences arising from the pandemic
- Planning for recovery and renewal of service delivery for the future

The Council created a new post of Head of Service (Recovery and Renewal) in May 2020 in order to co-ordinate the emergence from the lockdown and the transformation of service delivery.

Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2019-20 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our actions will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

The impact of the COVID-19 pandemic has resulted in unprecedented impacts on the governance and operations of the Council moving into 2020-21.

Craig Hatton
Chief Executive
June 2020

Councillor Joe Cullinane
Leader of the Council
June 2020