

The Moray Council

Annual Governance Statement – 2009/2010

Scope of responsibility

The Council 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 also has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. This includes arrangements for the management of risk.

The Council has approved and adopted a local code of corporate governance. The code reflects the principles of the CIPFA/SOLACE framework '*Delivering Good Governance in Local Government*'. The code is available on our website at www.moray.gov.uk.

This statement explains how the Council complies with the Code.

The purpose of the governance framework

The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled, and the activities used to engage with and lead 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.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level, and provide reasonable but not absolute assurance that policies, aims and objectives can be delivered. 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 policies, aims and objectives, to evaluate the likelihood of these risks being realised and the impact should these be realised, and to manage them efficiently, effectively and economically.

A governance framework has been in place for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Accounts.

The governance framework

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

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Governance Principle 1 - focusing on the purpose of the authority and on outcomes for the community, and creating and implementing a vision for the local area.

This principle is about exercising strategic leadership by developing and clearly communicating the authority's purpose, vision and intended outcomes for citizens and service users; ensuring that high quality services are delivered and that the best use is made of Council resources.

The cornerstone of this principle is the Single Outcome Agreement, which was revised and updated for 2009/10, and is the means by which the Council and its community planning partners agree with the Scottish Government how national priorities will be delivered in a local context. The Community Planning Board together with a number of theme groups oversees delivery of the outcomes identified in the agreement. The statutory partners include the police, fire service, NHS Grampian and HIE, HiTrans, Moray College and MVS0 are also partners. The working arrangements between these bodies is an evolving process and during the year the Board considered a number of issues relating to governance, risk management and accountability to ensure the benefits of partnership working are optimised. The Council remains committed to engaging with partner bodies to secure delivery of outcomes from the Single Outcome Agreement and this work will continue into 2010/11.

In the context of its own plans to deliver agreed outcomes for the community, the Council has made significant progress with the delivery of 'Moray Performs', a programme to support transformational change. This programme has the single outcome agreement and governance as its overarching themes, underpinned by a 'Designing Better Services' project to support best use of financial resources, a strengthened performance management framework to ensure the reporting on performance is targeted and effective, and a workforce planning review. Performance management arrangements are supplemented by the Public Sector Improvement Framework promoted nationally by the Improvement Service.

The initial phases of the Designing Better Services project (data gathering and detailed design) have been concluded during the year and the project has now moved on to the implementation phase. An ambitious programme of service re-design has been developed to secure more efficient ways of working and an associated reduction in the costs of service delivery.

The Performance Management Framework was finalised during the year and following approval by the Council, agreed performance measures are now reported to Council committees on a quarterly frequency. The range of measures is extensive and will be used in various ways to inform stakeholders how well the Council and its services are performing. The national Public Sector Improvement Framework self assessment model has been formally adopted across the Council, was completed by a small number of services during the year, and will continue to be rolled out during 2010/11.

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Workforce planning has been progressed with the purpose of ensuring that staff resources are available to meet the future requirements of the organisation. This element of Moray Performs is considering the skills base and capacity of the workforce to respond to change arising from increasing financial pressures nationally within the public sector.

Governance Principle 2 - members and officers working together to achieve a common purpose with clearly defined functions and roles.

This principle is about defining roles of elected members and senior officers, making sure responsibilities are clearly defined and that constructive working relationships are achieved, and ensuring relationships between the Council, its partners and the public are clear.

Standing Orders regulate the form and content of Council meetings. A scheme of administration is in place outlining the functions delegated to each Committee. A review of the Standing Orders, the Scheme of Administration and the Scheme of Delegated Powers was completed during 2009/10.

Elected members and senior officers have job descriptions and details of elected members and structure charts showing the management teams in each service and their areas of responsibility are held on the Council's intranet.

Governance Principle 3 - promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

High standards of behaviour are essential to good governance and there is an expectation that elected members and senior officers will exercise leadership through exemplary standards of behaviour and ensure these values are replicated effectively throughout the organisation.

This is achieved through member and officer training, promotion of Codes of Conduct, and Registers of Interests which highlight any potential areas where conflicts of interest might arise. Constitutional documents regulate the conduct of the Council.

Separate codes of conduct are in place for both elected members and officers and the roles and responsibilities of a number senior officer posts are enshrined in statute. Conduct issues relating to elected members can be referred to the Standards Commission; issues relating to actions taken or not taken by officers can be addressed internally through an established complaints procedure and if unresolved be referred to the External Auditor or the Scottish Public Service Ombudsman.

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A confidential reporting (whistle-blowing) procedure is in place and available on the intranet. The policy encourages staff to draw any matters of concern to appropriate officers within the Council and specifies the protocol under which such concerns shall be investigated.

Governance Principle 4 - taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

The Council's decision-making processes are well established with key and major decisions being taken by the Council or one of a number of service committees. In the main, issues are discussed and debated in public (unless exempt under statutory provision). Rules and procedures govern how decisions are made and appropriate legal, financial and other professional advice is considered as part of the decision making process. Council meetings are available on the internet via webcasting.

Scrutiny is secured through an Audit and Performance Review Committee, which receives regular reports on performance, and on the work of the external and internal auditors. During the year, following approval of the updated performance management framework, general monitoring of performance results has been transferred to service committees. This has enabled the Audit and Performance Review Committee's activity to focus in more detail on selected topics, thereby enhancing its scrutiny role.

The Council is also subject to scrutiny by a number of external inspection agencies and responds positively to external inspection reports. During the year a number of follow up inspections acknowledged the investment of time and resources to strengthen service delivery. The Council is working closely with a team representing a number of external inspection bodies tasked with determining the scrutiny arrangements to be applied in the next round of Best Value inspections. An assurance and improvement plan outlining the planned external inspection programme for the next three years is currently being drafted and is scheduled for publication in June 2010.

The process of embedding risk management continued with the corporate risk register updated following a critical evaluation of the principal risks facing the Council and consideration of the means by which these can be controlled. The task of updating departmental risk registers and linking these to service improvement plans was commenced and will continue into 2010/11. The Council also worked with its community planning partners to develop a risk register aligned to risks arising from partnership working. Training in risk management was provided to Head Teachers thereby completing the delivery of training on risk management for all senior managers.

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In developing risk management arrangements within the Council an overlap with work required to implement business continuity plans has been identified. Plans are in hand to take forward the two disciplines in tandem under a risk and resilience banner to make best use of the staff resources available to undertake this work.

Governance Principle 5 - developing the capacity and capability of members and officers to be effective.

This element of governance is designed to ensure that both members and officers have the knowledge, skills and capacity to enable them to fulfil their respective roles effectively.

The Council addresses this through the provision of training and the continuing professional development (CPD) of both members and officers.

Personal Development Plans for elected members were introduced during the year to formally record the range of development experiences members achieve through attendance at meetings of national forums, conferences, seminars and relevant personal reading. More work is required to ensure these plans fully reflect training experiences and identify any areas where further support might be required.

For officers, the Public Sector Improvement Framework requires an objective assessment of People Resources, People Results and Performance, and the process identifies skills gaps and training needs within teams. An employee review and development programme is also used by some services to identify staff training needs and opportunities.

In addition, the workforce plan recognises skills shortages within certain services and considers how these might be addressed. A particular issue is the planned national Strategic Defence Review which may impact on the local RAF bases, and have a consequential effect on the workforce employed by the Council and by community planning partners.

Governance Principle 6 - engaging with local people and other stakeholders to ensure robust public accountability.

The Council achieves this through timely publication of its annual accounts, of statutory performance information and by publishing the reports of external inspections. An annual Public Performance Report is produced and a Citizen's Panel is consulted as a means of informing the development of Council services. Protocols are in place to meet requests made under the Freedom of Information Act and to publicise the nature of these requests on the website.

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The Council consults with citizens on key issues affecting the community, notably the budget consultation exercise which preceded the setting of the budget for 2010/11 and on the development of the Flood Alleviation schemes.

Community planning arrangements also support this governance principle by providing a range of opportunities to engage with stakeholders representing other public bodies and the wider community. Elected members also attend Community Council and Area Forum meetings as a means of engaging with citizens in their localities.

Review of effectiveness of governance arrangements

The review of effectiveness of the governance framework including the system of internal control is carried out throughout the year by various means involving:

- **the Council and its committees**

In practice governance arrangements are monitored throughout the year in various ways; by the Council; through the service committee processes; by a service development group comprising members of the administration and senior officers; by the Moray Performs Board, and by the Audit and Performance Review Committee

- **the Corporate Management Team**

The Corporate Management Team comprises the Chief Executive, the Chief Financial Officer and Chief Legal Officer (Monitoring Officer) and the Directors of Community Services, Educational Services and Environmental Services. The CIPFA/SOLACE framework informs the Corporate Management Team's work in this area.

- **the Chief Legal Officer**

The Chief Legal Officer has lead responsibility for maintaining a local code of corporate governance and the supporting process and assurance framework as part of the Moray Performs programme.

- **the Chief Financial Officer**

The Chief Financial Officer has statutory responsibility for the Council's financial affairs. In line with additional CIPFA/SOLACE guidance published in March 2010 a review of current financial arrangements has been conducted. This review has confirmed that these arrangements conform to the governance requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government 2010 in all material respects.

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The Chief Financial Officer is responsible for ensuring that an effective system of internal financial control is maintained. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or detected within a timely period.

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. Managers within the Council are responsible for development and maintenance of the system. In particular the system includes comprehensive budget setting and monitoring arrangements, setting targets to measure financial and other performance, the preparation of regular financial reports indicating actual expenditure against forecasts, clearly defined capital expenditure guidelines and formal project management arrangements.

The Council is in a group relationship with other entities to the extent that it administers a number of Trust Funds and Common Good Funds. The controls applying to the council functions also extend to these Group activities.

• Internal Audit

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Council on the control environment comprising risk management, internal control, and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit conducts its work in accordance with the *Code of Practice for Internal Audit in Local Government in the United Kingdom 2006*.

The Team Leader (Audit) is accountable on a day-to-day basis to the Chief Financial Officer and to the Audit and Performance Review Committee. The functions of the Committee are defined in the Council's Administrative Scheme. In relation to audit matters, the Committee:

- Contributes towards making the Council, its committees and services more responsive to the audit function and its purpose;
- Enhances good governance arrangements by promoting internal control and risk management, by supporting an anti-fraud culture, and by the review of revisions to financial procedures;
- Has responsibility for focusing audit resources through agreeing the annual programme of work;

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- Monitors delivery of the audit service through receipt of quarterly reports on work carried out by Internal Audit;
- Considers the annual opinion provided by the Team Leader (Audit) on the adequacy and effectiveness of the control environment.

The work of managers within the Council, of internal audit as described above, and by the external auditors in their annual audit letter and in other reports informs the effectiveness of the financial control environment as an element of the Council's governance arrangements. No fundamental control weaknesses were reported during the period covered by this statement. It is the opinion of the Team Leader (Audit) that reasonable assurance can be placed on the Council's internal financial control systems in place for the year ended 31 March 2010.

Significant governance issues

The Chief Legal Officer who is leading the governance element of the Moray Performs programme has reviewed the Process and Assurance framework which underpins the Council's Local Code of Corporate Governance and updated the action plan which supports continuous improvement in this area of work.

The key governance challenges going forward centre on delivery of services in the context of reduced financial settlements and will involve

- Continuing to promote a shared vision with partner bodies to secure the delivery of the objectives in the Single Outcome Agreement.
- Ensuring elected members and senior officers receive training and support necessary to provide them with the skills and knowledge to carry out their roles effectively.
- Maintaining effective channels of communication with stakeholders both in terms of consultation and decision making processes
- Updating financial regulations to take account of the changes in how the Council procures services from external bodies.
- Working closely with external inspectorates to ensure a proportionate approach is taken to external scrutiny, and managing expectations in terms of responding to the findings arising from scrutiny reviews.

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- Securing continuous improvement in service delivery through the application of outcomes from service improvement plans and the public sector improvement framework.

It is proposed over the coming year to take steps to monitor the foregoing matters to ensure the necessary governance standards are achieved and maintained.

Concluding Remarks

Good governance is evident in many elements of the Council's management arrangements. The wider obligations from the single outcome agreement, and the need to make difficult choices in the face of financial pressures, will bring new governance challenges to the Council and its partners. The Council is responding to this by various means described in this statement, and will endeavour to ensure emerging governance issues are dealt with in a timely and appropriate manner.



Cllr G McIntyre
Convener



Alastair Keddie
Chief Executive

24 June 2010