

## APPENDIX 1

### The Moray Council

### Annual Governance Statement - 2012/13

#### 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](http://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 2013 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:

## The Moray Council

### Annual Governance Statement - 2012/2013 (continued)

#### **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.

This year has seen a period of consolidation for the Council following the local government elections in May and the appointment of a new Chief Executive in October. A new Single Outcome Agreement (SOA) has been developed covering the period 2012-2015 and submitted to Scottish Government for approval. The SOA develops a vision for Moray and explains how community planning partners will work together to secure a range of key outcomes for the community. These outcomes have regard to both national priorities and those determined by the Administration Group of the Council.

A 'Best Value for Moray – Corporate Improvement Plan' has also been developed which builds on the prior corporate plan, defines the outcomes the Council intends to achieve, and describes the corporate programme of leadership and governance linked to service improvements. Outcomes where appropriate reflect SOA objectives. These complementary documents set ambitious targets for the Council and its partners, and against a background of continuing financial pressures facing the public sector, care has been taken to ensure that planned actions can be achieved over the next three year period.

'Moray Performs' is about planning, managing and delivering services in Moray. It impacts on every aspect of management and performance. As well as encompassing Community Planning and the Single Outcome Agreement, it provides a framework for supporting organisational change within the Council. The focus of Moray Performs in the current period has been on progression of the 'Designing Better Services' project, consolidating performance management arrangements and developing workforce planning requirements as a consequence of budget considerations.

The Designing Better Services project is a multi year programme designed to secure more efficient ways of working and an associated reduction in the costs of service delivery. Now in its implementation stage, and with the transport, vehicles and plant project completed, work is continuing on three large, complex, and challenging topics encompassing the core project – more efficient ways of working, a property project looking at accommodation, and community care re-design. A Programme Board oversees governance arrangements of the programme.

The Performance Management Framework is well established with agreed performance measures for all services now reported to Council service committees quarterly. The range of measures is extensive, covering

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### Annual Governance Statement - 2012/2013 (continued)

information useful to both service users and management. During the year a working group led by the Monitoring Officer has conducted a review of the performance management arrangements to ensure they continue to meet the current needs of the council and its service users, and that the measures in use are informed by outcomes identified in both strategic and operational plans.

Workforce Planning remains a particular focus given the effects on staff of the need to make substantial financial savings. A workforce transformation strategy has been developed with the intention of creating an internal jobs market designed as far as possible to protect the employment of the workforce and mitigate the need for compulsory redundancies.

#### **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 officers, making sure responsibilities are clearly defined, 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. An Administrative Scheme is in place outlining the functions delegated to each Committee, and a Scheme of Delegation specifies the limits of powers vested in named senior officers.

The Standing Orders and Administrative Scheme were updated during the year to reflect changes to Committee structures and a review of the Scheme of Delegation is on-going. Work is also being undertaken to revise the protocol on Questions on Council Minutes and Other Questions, and to develop a new protocol on Notices of Motion.

Governance arrangements in relation to roles and responsibilities of elected members and officers were strengthened during the period with the preparation and circulation of a suite of documents covering matters including the roles and responsibilities of a councillor, protocols for committee chairpersons, elected members' training, and guidance on dealing with multi member ward issues.

To complement these documents, a comprehensive training programme was provided for new and returning elected members to assist them to discharge their responsibilities effectively. A recent best value inspection noted that elected member and officer relationships are maturing, with elected members demonstrating more effective challenge and scrutiny, an increased willingness to hold each other to account, and more evidence of officers being held to account for their performance. This is reported as being a positive change in the culture at the Council.

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### Annual Governance Statement - 2012/2013 (continued)

#### **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. 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 record any potential areas where conflicts of interest might arise. Constitutional documents, together with detailed guidance on the operation of Committees, 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 of senior officer posts are enshrined in statute. Conduct issues relating to elected members can be investigated in terms of the recently approved in-house complaints process 'How to Complain about a Moray Councillor', or referred to the Standards Commission; issues relating to actions taken or not taken by senior officers can be addressed internally through established complaints procedures and, if unresolved, be referred to the External Auditor or the Scottish Public Service Ombudsman. One complaint against an elected member has been raised with the Standards Commission. There were no recorded breaches of the Code of Conduct for Employees by senior officers in the period covered by this statement.

The Council maintained its commitment to combating fraud and similar behaviours during the year by participating in the National Fraud Initiative, a data matching exercise involving a large number of public sector bodies and overseen by Audit Scotland. Extensive testing of matches has identified few issues, affirming the robustness of anti-fraud measures the council has in place.

#### **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 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. Certain Council meetings are available on the internet via webcasting.

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### Annual Governance Statement - 2012/2013 (continued)

Scrutiny is secured through an Audit and Performance Review Committee, which receives reports on selected council-wide or service specific scrutiny topics, and on the work of the external and internal auditors. Work was undertaken during the year to develop a programme of topics to be scrutinised over the next four years, augmented as appropriate by items 'called in' by the Committee. The activities of the Committee comply with the expectations of such committees as set out by CIPFA in its guidance.

The reports placed before all committees increasingly make reference to risk and, where appropriate, consideration of risk issues feature extensively during debates in the Council chambers. This strengthens compliance with the governance principle which recognises that a well managed council is risk aware and makes informed decisions having regard to all risk factors that pertain in any particular set of circumstances.

The process of embedding risk management continues. The Corporate Risk Register is reviewed and updated every six months, following an evaluation by the Corporate Management Team of the principal risks facing the Council and consideration of the means by which these risks can be controlled. Departmental and operational risk registers are updated annually, with the results used to inform service planning. A recent best value inspection concluded that the council has sound arrangements for risk management and reporting in place.

#### **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 elected members and officers have the knowledge, skills and capacity to enable them to fulfil their respective roles effectively.

A programme of induction training was provided for new and returning members following the elections. This has been supplemented by ongoing training and development opportunities in the form of briefing sessions and workshops covering new and emerging issues, a recent example relating to legislative changes on welfare reform.

For employees, access to training is available in various forms, through professional bodies to which employees belong, through specialist training providers located within services. The corporate Employee Development Team also provides a programme of training opportunities, which this year included sessions on change management for Chief Officers and Heads of Service.

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### Annual Governance Statement - 2012/2013 (continued)

#### **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 and local performance information and by publishing the reports of external inspections. An annual Public Performance Report and regular press releases are 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. Consultations on proposals for changes to services provided by the Council either on its own or in partnership are promoted on the website.

A Community Engagement Scheme was approved during the year to formalise how the Council, either on its own or in consultation with partner bodies, will consult with citizens. The aims of the scheme are two-fold, to enhance capacity to engage with communities and to support communities to make the best contribution to the community engagement process. Accredited training on effective consultation practice has been secured for senior officers of the council and partner bodies, and a working group has been formed to develop good practice guidance for facilitating effective engagement with stakeholders.

A particular focus of community engagement in this period was an extensive public consultation to inform the Council's budget proposals for 2013/14 and beyond. Faced with the prospect of both funding and service reductions, a programme of presentations and workshops was delivered in all main communities within the council area. These generated widespread debate and provided extensive feedback for consideration during budget deliberations.

Separately, the Council continues to operate a number of service specific consultations, for example in relation to planning applications, flood alleviation schemes, planned changes to Health and Social Care, and on proposals affecting the roads network in Elgin.

## **The Moray Council**

### **Annual Governance Statement - 2012/2013 (continued)**

#### **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 Community Planning Board, and by the Audit and Performance Review Committee.

- **The Corporate Management Team**

The Corporate Management Team, (CMT), which has overall responsibility for good governance arrangements, comprises the Chief Executive, and three Corporate Directors with portfolio responsibilities for Education and Social Care, Environmental Services and Corporate Services respectively. The CMT meets regularly to consider corporate issues and has a detailed work programme which gives structure and focus to their meetings. A particular feature in the current year has been increased employee engagement, involving learning visits to selected services and promotion of an employee charter.

- **The Head of Legal and Democratic Services**

The Head of Legal and Democratic Services performs the statutory role of Monitoring Officer under the Local Government and Housing Act 1989, which covers the duty to ensure that no enactments, rules of law, or codes of practice are breached, and that the council is not involved in maladministration or injustice as defined in the Local Government (Scotland) Act 1975. This officer also provides relevant legal advice and support to senior managers and elected members at meetings of the Council or its committees and otherwise as required. The Monitoring Officer reports to Policy and Resources Committee annually on activity in this role.

- **The Head of Financial Services**

The Head of Financial Services has statutory responsibility for the Council's financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973. This officer provides relevant financial advice and support to senior managers and elected members at meetings of the Council or its committees and otherwise as required. Whilst neither the Head of Legal and Democratic Services nor the Head of Financial Services are formal members of the Corporate Management Team both are actively involved in, and are able to influence, decision making processes.

## The Moray Council

### Annual Governance Statement - 2012/2013 (continued)

The Head of Financial Services 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.

- **The Chief Social Work Officer**

The Corporate Director of Education and Social Care in his statutory capacity as Chief Social Work Officer reports annually to the Council on the major policy and service initiatives within Social Work. The latest report describes the arrangements which support the delivery and development of these services, outlines progress achieved, and provides information on how services will develop and improve going forward. The report concludes that the Social Work Service is continuing to improve the quality of its services and that the council should be assured that the governance arrangements established to deliver the functions of the Chief Social Work Officer are working effectively.

- **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*, due to be superseded by new *Public Sector Internal Audit Standards* taking effect from 1 April 2013.

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### Annual Governance Statement - 2012/2013 (continued)

The Internal Audit Manager is accountable on a day-to-day basis to the Corporate Director (Corporate Services) and to the Audit and Performance Review Committee. The functions of the Committee are defined in the Council's Scheme of Administration. 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;
- 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 Internal Audit Manager 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 Internal Audit Manager that reasonable assurance can be placed on the Council's internal financial control systems in place for the year ended 31 March 2013.

- **External Agencies**

In addition to the various internal review processes and the financial audit referred to above, aspects of the Council's governance arrangements are considered in various inspection reports produced by the external auditor and by service inspectorates. Supported self assessment also features annually in the form of a procurement capability assessment. The main local government audit and inspection agencies also come together as a Local Area Network and their consideration of governance practices as a contribution to securing best value informs an Assurance and Improvement Planning process. The Council responds positively to the recommendations arising from the inspection reports where these provide opportunities to strengthen governance arrangements.

## The Moray Council

### Annual Governance Statement - 2012/2013 (continued)

#### Significant governance issues

Securing good governance has been and remains of prime importance to elected members and senior officers of the Council; a considerable task at a time when budgets are reducing, services are being redesigned, management structures are changing, and a range of national and local priorities require to be addressed.

The key governance challenges going forward will involve

- Promoting the Single Outcome Agreement and Corporate Improvement Plan for Moray with the various Community Planning partners to the wider community.
- Ensuring Community Planning arrangements are robust, that an effective framework is in place to enable the plans to be progressed within agreed timeframes, and that performance reporting against outcomes is developed.
- Continuation of financial planning and consultation processes necessary to secure further savings of £24 million by 2016/17, whilst maintaining suitable systems of probity, assurance and control.
- Ensuring service plans are aligned to the corporate priorities of the Council and to the priorities of partner bodies.

#### Concluding Remarks

Elected members and senior officers of the Council remain committed to good governance and recognise its fundamental role in securing the desired outcomes for the citizens of Moray. They also recognise the considerable challenges to be faced in a continuing period of economic uncertainty and, against that background, have developed plans that will set the direction for the council and its partners in the years ahead.

In our respective roles as Leader of the Council and Chief Executive we formally acknowledge the importance of good governance both within the council and when working in partnership, and we will work closely with our partners, other elected members and senior officer colleagues to ensure sound governance principles are evident in the management arrangements which support delivery of public services in Moray.

.....  
Cllr Allan G Wright  
Leader of the Council

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Roderick D Burns  
Chief Executive

June 2013