

# Report

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Report to:	<b>Risk and Audit Scrutiny Forum</b>
Date of Meeting:	<b>18 June 2013</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Annual Governance Statement 2012/2013</b>
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## 1. Purpose of Report

1.1 The purpose of the report is to:-

- ◆ Provide information to the Risk and Audit Scrutiny Forum (RASf) on the Annual Governance Statement for 2012/2013, for inclusion in the Council's 2012/2013 Annual Report.

## 2. Recommendation(s)

2.1 The Forum is asked to approve the following recommendation(s):-

- (1) that the Annual Governance Statement detailed in Appendix 1, due to be included in the Council's 2012/2013 Annual Report and Statement of Accounts, 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 financial and operational controls. The annual review of governance arrangements provides the Governance Statement which is included within the Council's Annual Accounts.
- 3.2 During 2012/2013 the Good Governance Working Group, attended by senior officers from Administration and Legal Services, Finance Services, Audit and Improvement, Personnel and the Central Research Unit progressed delivery of the Good Governance Statement with input from the Good Governance Resource Lead Officers' Group.
- 3.3 The annual review for 2012/2013 was undertaken using the Finance Advisory Network (FAN) model as per previous endorsement by senior officers, the Risk and Audit Scrutiny Forum and approval from the Executive Committee.
- 3.4 The Good Governance Group operated under a strict deadline of 26 April and all documents were submitted in good time.
- 3.5 The Governance and related information was viewed and approved by the Corporate Management Team (CMT) on 30 May 2013. It will be submitted to the meeting of Executive Committee to be held on 26 June 2013.

## 4. Statement of Governance for 2012/2013

- 4.1 The Statement of Governance and Internal Control for 2012/2013 is attached at Appendix 1.

- 4.2 The section entitled **Governance Improvements During 2012/2013** provides a progress report on last year's improvement actions
- 4.3 The actions for this financial year, 2013/2014, are included in the section entitled **Control and Governance Improvement Areas for 2013/2014**.
- 5. Good Governance Action Plan**
- 5.1 The 2013/2014 Action Plan is currently being developed and will be monitored and progressed through the Good Governance Group. Progress reports will be provided to the Risk and Audit Scrutiny Forum during 2013/2014.
- 6. Employee Implications**
- 6.1 Officers from key disciplines will continue to attend the Good Governance Group and Resource Lead Officers' Group and will set aside time to review and monitor governance and assurance.
- 6.2 Officers will be assigned to lead on areas identified as improvement areas.
- 7. Financial Implications**
- 7.1 There are no financial implications apart from employee time.
- 8. Other Implications**
- 8.1 The statement will be subject to review by PWC, the Council external auditors, as part of their consideration of the Annual Report.
- 8.2 There are no significant issues in terms of sustainability of risk arising from this post.
- 9. Equality Impact Assessment and Consultation Arrangements**
- 9.1 Executive Directions undertake a formal assessment of Good Governance and sign a statement reflecting the controls within their own Resource. Resource Lead Officers meet to discuss individual Resource statements where required. Guidance was provided by the Good Governance Group on the need to ensure that issues arising from Resource Directors' year-end assessments are internally progressed and monitored
- 9.2 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)**

13 May 2013

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

- ◆ All Council Objectives and Values

**Previous References**

None

**List of Background Papers**

None

**Contact for Further Information**

If you would like further information, please contact:-

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## Governance Statement 2012/2013

### Acknowledgement

South Lanarkshire Council has a responsibility to ensure business is conducted in accordance with legislation and adheres to and works within a framework of internal values and external principles and standards. The Council ensures that public money is used economically, efficiently and effectively through the continuous improvement of service provision and delivery.

The Council has a governance assessment framework in place exercising control over service delivery and the management of risk. The assessment of internal assurance is undertaken using the Finance Advisory Network (FAN) model.

This statement outlines how South Lanarkshire Council has complied during 2012/2013.

### The Purpose of the Governance Arrangements

The Council has governance arrangements in place which provide an overview of the culture, processes, systems and values by which the Council controls and directs activities.

The annual governance review informs the detail of the Governance Statement by considering a wide range of evidence and supporting information, including internal and external audits, self-assessments and inspections. Areas which are identified as requiring improvement are actioned, where appropriate, through individual Resource action plans and through the Good Governance Action Plan.

### Governance Arrangements

The key structures, strategies, processes and systems which are included in the Council's good governance arrangements include:-

- **The Community Planning Single Outcome Agreement (SOA).** This provides the focus of the strategic work undertaken by the Council and partners to progress national and local outcomes. Development of a new 10 year SOA for the period 2013-2014 until 2023-2024 commenced in 2012 with final submission to the Scottish Government due by June 2013.
- **SOA Annual Report** provides a traffic light report on National Outcome Report indicators and red measures are reported to relevant internal Forums and Committees.
- **The Community Plan** sets out the joint vision and objectives for South Lanarkshire. The Community Plan was refreshed during 2010/2011 to provide a clear link to the objectives and outcomes of the SOA.
- **"Connect"** the Council's strategic plan, provides the vision for the area, priorities for service delivery, objectives and values. The Council Plan was refreshed and approved by the Council in October 2012. It covers the period from 2012 to 2017.
- **Performance Management** and monitoring of SPIs, LPIs and service delivery is demonstrated through a number of routes including the Resource and Service planning process. The Corporate performance framework provides regular reporting monitored through IMPROVe, the Council's performance management reporting system.
- **External audits** and inspections.
- The Council operates within an established procedural framework that includes the **Scheme of Delegation, Standing Orders, Standing Orders on Contracts, Financial Regulations, and Committee Terms of Reference.** This is supported by

other policies and frameworks such as the Council's Corporate Standards, and Personnel Policies and Procedures.

- **Reporting** through senior management to **Committee** for decision taking and to **Forums** for scrutiny in the areas of finance, performance, risk and audit.
- **Codes of Conduct** and corporate standards for employees.
- Elected Members operate within a **national code of conduct**.
- **Administration and Legal Services** work in partnership with Resources to ensure compliance with relevant laws and regulations.
- **Internal Audit** tests and reports regularly on operational and financial controls.
- The Council operates within a well-developed **financial planning framework**. This includes the preparation of an efficiency statement demonstrating that the Council is making best use of limited resources within the current economic climate.
- A **Risk Management Strategy** and methodology is in place which reviews, identifies, evaluates and manages risks associated with the delivery of the Council's objectives.
- Members and officers are supported by appropriate ongoing **Training and Development**.
- **Effective and timely communication** allows the Council to effectively communicate with employees and community. This is delivered through the Council's newspaper, the South Lanarkshire "Reporter", regular press coverage in the "View", an insert in the local press and the Council's website. The "Works" magazine and use of the intranet and email for personnel circulars allow effective and timely communication with Council employees in particular. The Council also carries out a wide range of customer satisfaction, engagement and consultation exercises through the Citizens' Panel, various Forums and Working Groups. Housing and Technical Resources provide the "Tenants News" newsletter to Council tenants.
- As a part of ongoing **continuous improvement** and self-assessment process the Council has completed the first 3 year programme of Empower (the self assessment Public Sector Improvement Framework toolkit (PSIF) and will introduce the next programme during 2013.
- The South Lanarkshire **Community Planning Partnership** provides the mechanism by which public services are jointly planned. During 2012, the Scottish Government undertook a national review of Community Planning to ensure that co-ordination and collaboration was efficient and effective across Scotland through a Shared Statement of Ambition. The South Lanarkshire Community Planning Partnership governance and reporting arrangements will be reviewed during 2013 to take this and the new 10 year SOA into account.
- The standard **report template** contains specific sections on Financial Implications and Other Implications, which should include reference to risk management and sustainability as appropriate.

## **Governance Roles and Responsibilities**

The Council plays a lead role in the community and delivers services both directly and through joint working with Community Planning Partners.

Council Officer roles and responsibilities are outlined within a structured performance and development review process (PDR) linking through to the Single Outcome Agreement, Council Plan, Resource Plans and Service Action Plans. In addition, each Executive Director has specific corporate responsibilities.

Members and officers sit on Boards and Committees which are within South Lanarkshire Council's Group Accounts. This contributes to the control exercised over these funded bodies.

Finance and Corporate Resources have a stewardship role in monitoring and reporting on financial performance, and ensuring public funds are properly accounted for and managed. The management of risk is undertaken through a central risk management team.

The Corporate Management Team (CMT) is led by the Council's Chief Executive and includes the Executive Directors of each Resource. The role of the CMT is wide-ranging and includes monitoring governance issues and approving all relevant actions. This ensures that governance is embedded within the Council at all levels and across all Resources.

The Risk and Audit Scrutiny Forum has the responsibility to monitor the Council's Good Governance and Risk Management responsibilities.

The Executive Committee exercises final approval over all Good Governance and Risk Management actions and strategies. It is the Executive Committee's responsibility to sign off on any actions to be taken forward, or policies and strategies to be implemented.

## **Review of Effectiveness**

A review of South Lanarkshire Council's system of internal control is undertaken annually. Assurance for 2012/2013 has been developed and informed through a wide range of sources including:-

- Individual Governance Statements and self assessments from Executive Directors using the FAN model;
- Internal and external audits and inspections;
- Internal review and improvement plans, including the use of Empower, the Public Service Improvement Framework (PSIF);
- Extent of delivery of Resource and Service Plans incorporating the delivery of 'Connect', the Council Plan; and
- Good Governance Action Plan.

## **Internal Audit and Risk Management**

The Internal Audit Service plays an essential role in the control environment by providing assurance that internal controls are being exercised. The Internal Audit Service reports to the Head of Audit and Improvement, the Executive Committee and the Risk and Audit Scrutiny Forum.

Audit findings for Strathclyde Fire and Rescue are reported to the Board of Strathclyde Fire and Rescue and its Performance and Audit Forum, however, a new national Scottish Fire and Rescue Service came into effect from 1 April 2013 and new governance arrangements are in place for 2013/2014 and beyond. The responsibility for the preparation of the Board's 2012/2013 Accounts remains with South Lanarkshire Council (SLC) and officers. Those Accounts will be submitted for approval to the lead authority (SLC) on behalf of the constituent councils with a copy of the Accounts being sent to the constituent councils and the Scottish Fire and Rescue Service for their interests. These arrangements apply to both the draft and audited Accounts.

Lanarkshire Valuation Joint Board and South Lanarkshire Leisure and Culture Limited audit findings are reported to their respective Boards.

Key financial and operation systems are reviewed and assessed through a programme of audit work. Recommendations from audits provide management with an overview of the adequacy of systems and procedures and outline methods to improve the control environment and prioritise areas of greatest risk.

For 2012/2013, Internal Audit's opinion is that a good level of assurance can be placed on the Council's financial control environment and an adequate level of assurance can be placed on the Council's operational control environment.

### **Governance Improvements during 2012/2013**

From the improvement areas identified in last year's statement of governance and internal control, the Council is pleased to report improvements in its governance arrangements including:-

#### **2012/2013 Improvement Areas:-**

##### **Reference**

- (1) Continue to review and assess the Council's financial situation in the context of local government economic and budgetary control. **Update:** The savings priorities process was undertaken and approved February 2013. An appropriate Financial Strategy is now in place.
- (2) Continue to raise awareness of the potential impact of the financial situation. **Update:** Reported through articles in the Works Magazine and in South Lanarkshire Reporter budget edition 2012/2013.
- (3) Update the local Code of Governance on an annual basis. **Update:** The Local Code has been updated for 2013 pending approval through the formal reporting structure.
- (4) Adopt the new complaints and reporting framework by due date. **Update:** Implemented new complaints and reporting framework by 1 April 2013. Report agreed by the Corporate Management Team on 6 September 2012 and Finance and Corporate Resources Committee on 19 September 2012.
- (5) Complete Procurement employee transfer during 2012/2013. **Update:** Final changes to the delivery model undertaken during 2012/2013 including employee transfer.
- (7) Continue to give priority to the promotion of risk management activity. **Update:** Risk Registers have been updated for all Resources and Council Top Risks reviewed. Risk Management intranet pages reviewed and updated.
- (8) Further roll-out of Empower self assessments including benefits tracking reporting. **Update:** Empower Annual Review including Benefits tracking undertaken and reported to December 2012 Executive Committee.
- (9) Roll out the Information Governance Action Plan. **Update:** The Information Governance Action Plan is now in place and actions reported and monitored.
- (10) Implement Public Records (Scotland) Act 2011 by March 2013. **Update:** Roll out of Public Records (Scotland) Act 2011 undertaken and ongoing
- (11) Undertake a review of Arms Length Organisations (ALEOs) as per Audit Scotland recommendations. **Update:** Meetings held with South Lanarkshire Leisure and Culture and Regen:fx and assessment undertaken.
- (14) Develop a new ten year Single Outcome Agreement by March 2013; **Update:** Draft Single Outcome Agreement issued to Scottish Government on 5 April 2013 for the period 2013/2014-2023/2024. Formal adoption is timetabled for submission by end of June 2013.
- (15) Undertake the necessary internal changes to facilitate the implementation of a single national Police Service and a single national Fire and Rescue Service.

**Update:** The new Safer South Lanarkshire Board was initiated to facilitate the changes required to locally support the national Police and national Fire and Rescue Services. The first meeting of the Board was held on 26 March 2013. Internal and external reporting arrangements are in place.

- (19) Maximise efficiencies generated by Resources rationalisation. **Update:** Ongoing process. For example, Administration Services and Legal Services have merged to one service. Additionally, the Support Services for Community and Enterprise Resources have managed their transition smoothly since merging.

Some other improvement areas identified in last year's statement have not yet been fully delivered but will be included in the governance improvement plan. These include:- (6) finalise partnership register review; (12) develop a Leisure and Culture Strategy in partnership with South Lanarkshire Leisure and Culture; (13) Implementing changes required to the Community Planning process; (16) ongoing implementation of changes required by the introduction of the Welfare Reform Act 2012; (17) work with NHS in relation to the integration of health and social care services; (18) embedding equalities throughout Council structures; (20) facilitate the implementation of the reshaping of Care for Older People and self Directed Support Strategy.

### **Overview Control and Governance Improvement Areas for 2013/2014**

The internal review of governance arrangements has highlighted areas of improvement and areas where we wish to retain an overview. We propose in the coming year to take further steps to:

- (1) Continue to review and assess the Council's financial situation in the context of local government economic and budgetary control and raise awareness of potential impact.
- (2) Identify and maximise further efficiencies generated by Resources rationalisation.
- (3) Review partnership register and governance arrangements.
- (4) Develop a leisure and culture strategy in partnership with South Lanarkshire Leisure and Culture.
- (5) Undertake a review of the Community Planning process and governance arrangements.
- (6) Submit the 2013-2023 Single Outcome Agreement by due date.
- (7) Continue to implement changes required by the introduction of the Welfare Reform Act 2012 and subsequent regulations.
- (8) Continue to embed an enhanced approach to equalities in line with public sector duties.
- (9) Facilitate the implementation of the reshaping of Care of Older People and implement the Self Directed Support Strategy and actions arising from the 2013 Act.
- (10) Work with NHS in relation to the integration of health and social care services.
- (11) Deliver a waste management strategy to meet requirements of the Waste (Scotland) Regulations 2012.
- (12) Progress towards addressing the objectives of the Early Years Collaborative.
- (13) Identify preventative and collaborative spend in service and partnership areas as appropriate.
- (14) Continue to review, progress and comply with all requirements related to Information Governance.
- (15) Continue development of Resource Contingency Plans, Business Continuity Plans and action plans.



## **Assurance**

The Executive Director (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 Members for decision.

This involvement fulfils the expectation of the Chartered Institute of Public Finance and Accountancy (CIPFA) in terms of the role of the Chief Financial Officer.

It is the Council's view that the systems for governance and internal control were reasonably effective in South Lanarkshire Council and its group during 2012/2013 and that there are no significant weaknesses. Addressing the above matters will further enhance our governance arrangements and our commitment to continuous improvement. This assurance is limited, however, to the work undertaken during the year and the evidence available at the time of preparing this statement.

## **Leader of the Council**

**Signature**

**Date**

## **Chief Executive**

**Signature**

**Date**