

## Falkirk Council

### Annual Governance Statement – 2012/2013

#### Introduction

1. Falkirk Council has a duty under the Local Government in Scotland Act 2003 to secure best value and ensure continuous improvement in the Services it delivers. Public money must be used economically, efficiently, and effectively, and with due regard to the achievement of sustainability. To help ensure that these responsibilities are met, the Council must put in place, and apply, robust governance arrangements.
2. While the importance of sound governance can never be overstated, pressures relating to, for example, the ongoing economic climate, Welfare Reform, the move towards Health and Social Care integration, Police and Fire service reform, the ever more complex challenges posed by information technology, and changes to the way the Council goes about its business, mean that transparency, integrity, and accountability in the delivery of services have never been more important.
3. Responsibility for ensuring good governance is shared by all Council employees and elected Members. To demonstrate the Council's commitment to ensuring good governance, this Annual Governance Statement (Statement) has been prepared on the basis of the principles set out in the CIPFA / SOLACE Framework '*Delivering Good Governance in Local Government*'. This defines governance as doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest, and accountable manner. Fundamentally, this relates to the way the Council is directed and controlled, and through which it engages with the community.
4. That said, it should be noted that any review of governance can provide only reasonable (not absolute) assurance that policies, aims, and objectives are being applied and implemented as intended.
5. Preparation of this Statement meets the requirements of Section 3.7 of the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

#### Falkirk Council's Governance Framework

6. The following sections summarise the key elements of Falkirk Council's governance framework, set out within the context of each of the CIPFA / SOLACE Principles.

#### **Principle 1 - Focusing on the purpose of the Authority and outcomes for the community, and creating and implementing a vision for the local area.**

7. Falkirk Council's Corporate Plan underpins everything that the Council does. During 2012/13 the Council launched a new Corporate Plan 2012-17 entitled 'One Council One Plan'. The new Plan sets out the ambitions Falkirk Council has for its services and for the area, as well as goals, outcomes, and priorities.
8. The Corporate Plan is available on the Council's website ([www.falkirk.gov.uk](http://www.falkirk.gov.uk)), and all Services have developed their own Plans building on these high level goals. As well as forming the basis of the Council's continuous improvement programme, the Plan defines the high level risks, challenges, and opportunities faced by the Authority over the coming years.
9. The Strategic Planning and Management Framework (SPMF) continues to be effective in ensuring that corporate goals are reflected throughout the organisation, and that business is conducted in a focussed, efficient, and effective way.
10. Related to that, and the challenges of continuing financial constraint, much work has been done to develop a more focussed priority based budgeting process and to build on the strategic and transparent approach to the management of the Council's reserves. Financial performance continues to be reported publically via Annual Report and Accounts (which are available on the Council's website).

11. The outputs from the Council's public performance reporting systems are brought together in the 'Performance Zone' section of the website. To ensure that reported information continues to be relevant and meaningful, a light touch but challenging peer review process, involving all senior managers, has been established. This will streamline and improve the Council's performance monitoring and reporting systems.

**Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles.**

12. This principle focuses on the need to ensure effective leadership and clear and consistent roles and responsibilities.

13. The Council's recently revised and implemented decision making structure seeks to enhance clarity and accountability. As re-iterated at paragraph 21 below there will, inevitably, be a period of bedding in and normalisation, and it is perhaps too early to comment on the impact of these changes.

14. The role of the Council's Corporate Management Team remains key to ensuring that resources are effectively directed towards delivering Council priorities. Individually, and collectively, Corporate Management Team recognises the need to streamline operational processes and practices, balancing service delivery and good internal control.

15. Work has been undertaken, and is ongoing, to ensure that the sub-group structure in place to help Corporate Management Team fulfil its obligations is fit for purpose. The Council's Corporate Risk Management Group has been key to this process, and will have an ongoing remit to monitor the future role and accountability of these working groups.

16. Falkirk Council has a history of effective engagement between Officers and elected Members, based on clear and understandable Standing Orders. These comprise procedures for Committee meetings, a Scheme of Delegation to Committees and Officers, Contract Standing Orders, and Financial Regulations. All elements of Standing Orders have been reviewed and updated to take account of the revised decision making structure.

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

17. The Council has a Code of Conduct for Members and Officers and all Members are expected to abide by the Standards Commission Scotland's Councillors' Code of Conduct. Protocols are in place setting out arrangements for governing Member / Officer Relations and all staff are required to comply with the ethical requirements of any professional bodies of which they are members. Fundamentally, all Officers and Members are required to demonstrate and maintain the appropriate levels of leadership and governance.

18. Staff are required to notify and record any extra-mural employment, and registers of gifts and hospitality are maintained. A Confidential Reporting Policy / Procedure and an Anti-Fraud and Corruption Strategy are in place, and the Council participates in the National Fraud Initiative. Officers work closely with Police Scotland on the risks posed by Serious Organised Crime, and it falls to the Council's Chief Executive to lead on the 'Divert' strand of the Scottish Government's Serious Organised Crime Strategy.

19. Corporate Management Team has fostered a culture of fraud awareness, prevention, and detection, and relevant policies and procedures are clear on the disciplinary consequences arising from non-compliance.

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

20. Much work has been undertaken to develop the Council's approach to risk management. A revised and updated Policy, Framework, and Workplan were approved by Audit Committee in March 2013, and guidance has been developed for roll out to staff. The Service Unit Manager training referred to at paragraph 27 below included a session on risk management, and the Corporate Risk Management Group has been active in ensuring the practical embedding of corporate policies and guidance.

21. Changes to the Council's decision making structure have allowed the opportunity to review and update Contract Standing Orders, Financial Regulations, and the wider framework of reporting to elected Members. The new structures represent a significant change for Falkirk Council, and will present challenges for Officers and elected Members. There will, undoubtedly, be a period of re-acclimatisation as the practicalities of the agreed changes manifest themselves, and the importance of Officers and Members working together as arrangements bed in cannot be overstated.

22. The role of the Audit Committee within the new structure remains unchanged, and the Committee continues to be effective in monitoring the Council's arrangements for risk management, governance, and control. During 2013 the external lay chair of the Audit Committee will, for the first time, present an Annual Report on the Committee's work to Council.

23. The need to ensure that all decisions are based on accurate, timely, and secure information is well understood, and good information management and security remains a key operational priority. This is recognised within the Corporate Risk Register.

24. In addition, the Council is under an obligation to work towards compliance with the Public Records (Scotland) Act 2011, and a Records Management Plan will be submitted to the Keeper of the Records of Scotland over the summer. This will include details of the business classification scheme to be adopted by the Council, a positive development that will help ensure the confidentiality, availability, and integrity of the data and information the Council holds and on which it bases its decisions.

#### **Principle 5 - Developing the capacity and capability of Officers and Members to be effective.**

25. In last year's Annual Governance Statement a commitment was made to continue to provide support and development opportunities to elected Members and Officers.

26. Following the Local Government elections in May 2012 an induction programme was provided to all Members. In addition, the Improvement Service's CPD programme and masterclass service has been re-launched, with relevant adjustments made to take account of the changes to the Council's decision making structure. The aim of this programme is to ensure that all Members have access to training and development that meets their individual needs.

27. The economic challenges facing the Council and the emphasis on delivering services more efficiently and effectively mean that the training and development of staff remains of paramount importance. As well as the established employee Development Programme, a series of Service Unit Manager events have been delivered. In addition, training has been provided on areas such as compliance with Financial Regulations and Contract Standing Orders, and on Premises Management, and use has been made of the on-line learning system to allow staff to undertake training on, for example, change management and Welfare Reform.

28. Underpinning that, the Achievement and Professional Development scheme remains relevant in allowing staff to identify and work towards aims and objectives consistent with wider organisational goals.

#### **Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability.**

29. The Council is committed to listening to, engaging with, and responding to local people and other stakeholders, and the principle and practice of community participation is well embedded. For example, recent consultation has informed preparation of the Tenant and Residents Participation Strategy 2013-2016.

30. In addition, the Citizens' Panel continues to play an invaluable role in helping the Council improve and implement services, with the aims of the Panel, and other means of engagement, embedded within 'Have Your Say: A Plan for Local Improvement 2011-2014'. In June 2012 a Feedback Report, setting out changes made by the Council as a result of responses to previous Citizens' Panel questionnaires, was published and made available on the Council's website.

31. Agendas and minutes of all Council meetings, including those of the newly formed Executive, Education Executive, and Scrutiny Committee, are available on-line, with meetings held in public. The

Council's website complies with relevant web accessibility guidelines, and allows users to interact and transact with the Council via the 'On-Line services' section.

### **Monitoring and Review of Governance Arrangements**

32. Falkirk Council's governance arrangements are formally monitored via:

- the Committee framework, including the Audit Committee;
- Corporate and Departmental Management Teams;
- Corporate Risk Management Group;
- Internal and External Audit work; and
- the work of Falkirk Council's Best Value 2 Local Area Network.

33. This monitoring is done within the context of the Delivering Good Governance guidance, the Council's Corporate Plan, Strategic Community Plan, agreed Single Outcome Agreement, and the fundamental statutory requirement to demonstrate and achieve best value.

### **System of Internal Financial Control**

34. This section of the Statement relates to the systems of internal financial control of Falkirk Council and of the consolidated entries in the Council's group accounts for the year to 31 March 2013. The Chief Finance Officer is responsible for ensuring the operation and maintenance of an effective system of internal financial control. It should, however, be noted that the system of internal financial control can provide only reasonable (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.

35. The system of internal financial control is based on a framework of risk management; Contract Standing Orders, Financial Regulations, and associated guidance; delegation and accountability; comprehensive budgeting systems; clear financial targets; and robust management information.

36. The Council's Internal Audit Section provides an independent assessment of arrangements for risk management, governance, and control. The Section undertakes an annual, risk based, programme of work approved by the Chief Executive, Chief Finance Officer, and Audit Committee. The Council's appointed External Auditors concluded that the Internal Audit Section operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code), and formally placed reliance on work undertaken by the Section.

37. All Internal Audit reports are brought to the attention of management and include recommendations and agreed action plans. It is then management's responsibility to ensure that appropriate action is taken to address these recommendations. Significant matters arising are reported to the Council's Audit Committee.

38. The Audit Committee, which was set up on the basis of a decision by Council in June 2008, operates in accordance with relevant CIPFA guidance. The Committee is chaired by an external lay member, and has a remit to provide:

- independent assurance on the adequacy of the risk management framework and associated control environment;
- independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects risk exposure and weakens the control environment; and
- assurance that any issues arising from the process of drawing up, auditing, and certifying the Annual Accounts are properly dealt with.

39. The Committee considers the Internal Audit Manager's Annual Assurance Report, which provides an independent opinion on the adequacy and effectiveness of the Council's arrangements for risk management, governance, and control. In his 2012/13 Report the Internal Audit Manager concluded that he was able to provide substantial assurance on the Council's overall framework of control for the year to 31 March 2013.

40. The Chief Finance Officer is required to review the effectiveness of the Council's systems of internal financial control, taking account of the work of managers, Internal Audit, and External Audit. Based on his

considerations, the Chief Finance Officer has concluded that substantial assurance can be placed on the adequacy and effectiveness of the Council's internal financial control systems for the year to 31 March 2013.

41. In relation to other entities that fall within the Council's group boundary, the Chief Finance Officer's review is informed by the:

- Statements on the System of Internal Financial Control included within the Annual Accounts of Central Scotland Joint Fire and Rescue Board, Central Scotland Joint Police Board, and Central Scotland Valuation Joint Board;
- Statements of Assurance from the Chief Executives of Falkirk Community Trust and Falkirk Community Stadium Limited; and
- work of these bodies' respective External Auditors (and, where relevant, Internal Auditors) and other interim reports.

42. Based on consideration of the above, the Chief Finance Officer has concluded that, on the whole, substantial assurance can be placed on the internal financial control systems of other bodies falling within the Council's group boundary.

43. In undertaking his duties, and in forming the above opinions, the Chief Finance Officer worked in conformance with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

### **Governance Arrangements – Areas for Improvement**

44. Falkirk Council is committed to ensuring robust and proportionate governance. That said, the continuing economic and financial pressures the Council faces, and the ever changing environment within which the Council operates, means that there will always be scope for improvement. Areas that will be addressed over the coming year include:

- the performance monitoring and reporting peer review process will be progressed;
- work on the role and accountability of all corporate working groups will be completed;
- Officers and Members will continue to implement and embed the Council's revised decision making structure;
- work will be undertaken towards ensuring that the Council meets the requirements of the Public Records (Scotland) Act 2011; and
- relevant training and development opportunities will continue to be provided to all elected Members and Officers of the Council.

### **Conclusion**

45. This Annual Governance Statement summarises, openly and transparently, arrangements established by Falkirk Council for 2012/13 and the period to date. It highlights areas for improvement, and is consistent with the Council's established improvement agenda.

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**Councillor Craig Martin**  
**Leader of Falkirk Council**  
**24 June 2013**

**Mary Pitcaithly**  
**Chief Executive**  
**24 June 2013**