

Annual Governance Statement 2023/24

Scope of Responsibility

The council is responsible for ensuring 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 has a statutory duty to make arrangements to secure Best Value under the Local Government in Scotland Act 2003.

In discharging these responsibilities, elected members and the corporate and senior management teams are responsible for putting in place proper arrangements for the governance of the council's affairs and for facilitating the effective exercise of its functions. In delivering these functions, there is a requirement to maintain effective partnership working with others, principally with NHS Grampian and Moray Integration Joint Board, Grampian Valuation Joint Board, and the Moray Leisure Centre, as well as with other bodies involved in Community Planning and in the delivery of the Moray Growth Deal.

This annual governance statement, which covers the period from 1 April 2023 through to the date of signing of these annual accounts, explains how the council has used the CIPFA/SOLACE 2016 Framework 'Delivering Good Governance in Local Government' as a basis for considering the effectiveness of its own governance arrangements.

Framework for Good Governance

The overall aim of the 'Delivering Good Governance in Local Government' Framework is to ensure that: resources are directed in accordance with agreed policy and according to priorities; there is sound and inclusive decision making; and there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The CIPFA/SOLACE Framework defines the seven core principles of good governance, namely:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
2. Ensuring openness and comprehensive stakeholder engagement;
3. Defining outcomes in terms of sustainable, economic, social and environmental benefits;
4. Determining the interventions necessary to optimise the achievement of the intended outcomes;
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it;

6. Managing risks and performance through robust internal control and strong public financial management; and
7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The key elements of the council's governance arrangements are described in terms of the seven principles defined in the Framework, summarised as follows:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;

The roles and responsibilities of elected members and senior officers and the processes to govern the conduct of the council's business are defined in procedural Standing Orders, a Scheme of Administration, a Scheme of Delegation, and Financial Regulations. These are updated in response to strategic need. The Schemes of Administration and Delegation were revised during the year primarily to reflect amendments to the Integration Scheme for the Health and Social Care Partnership. Standing Orders were also updated to support improvements in collaborative leadership. Codes of Conduct for both elected members and officers are in place, and these define the ethical values and standards of behaviour expected. The Codes draw on the 'Standards in Public Life' covering issues including leadership, fairness and integrity.

The Council's Head of Governance, Strategy and Performance is the designated Monitoring Officer responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. External support during the period has also assisted in the development of collaborative leadership as an aid to good governance in decision making.

2. Ensuring openness and comprehensive stakeholder engagement;

In developing improvement and modernisation opportunities, meetings of the council and its committees are delivered using a hybrid format that enables attendance in person or via web link. Meetings are live streamed and available for public viewing, with matters discussed and determined in confidence relating only to those deemed confidential in terms of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973. The rationale for all decisions proposed and taken is fully set out in committee reports.

Stakeholder engagement is central to the council's work at a strategic level, notably in the development of the Corporate Plan which was refreshed during the year. Both staff and the public were surveyed, and the results reported to a meeting of the council to aid and inform consideration of the priorities to be taken forward. Service consultations are also conducted as appropriate, recent examples including a tenant satisfaction survey in housing, and on options for future school provision in several communities across Moray. The council's petitions process was also widened to include and improve engagement with groups under 18 years of age.

The council seeks and obtains feedback on delivery of its services having adopted a comprehensive complaints procedure based on a model scheme developed by the Office of the Scottish Public Services Ombudsman. All complaints are responded to as appropriate, and inform improvements to service delivery. A comprehensive report on complaints handling is prepared and presented annually to a council committee.

3. Defining outcomes in terms of sustainable economic, social, and environmental benefits;

The creation and implementation of a vision for the local area, including expected outcomes for the community, is encompassed in the Local Outcomes Improvement Plan (LOIP). The overarching aim and purpose of this 10-year Plan is ‘to raise aspirations by creating an enabling environment where our residents can achieve expanded choices, improved livelihoods and wellbeing’.

In particular, the LOIP recognises the importance of and benefits from reducing inequalities and poverty, with outcomes focused on the need for a growing, diverse and sustainable economy, building a better future for our children and young people in Moray, empowering and connecting communities, and a broadened objective of improving the wellbeing of our population.

The LOIP is a partnership plan, and its strategic delivery is overseen by a Community Planning Board, which meets quarterly. The Board comprises representatives from a broad range of organisations as reflected in agenda items considered during the year. These included reports on School Age Childcare, Climate Change, Moray Growth Deal, Behaviour in Moray schools; Promotion of Physical Activity, and Health and Transport partnership working. Development sessions have been held to further strengthen good governance arrangements, recognising the benefits that working in partnership can bring.

A proposal under active consideration is the development of a single multi-agency strategic plan for Moray. Currently the LOIP sits alongside a refreshed Corporate Plan Moray 2024-2029, that sets out the vision and priorities of the council for the next five years. The council plan updates council priorities focussing on three key themes; tackling poverty and inequality, building a stronger greener vibrant economy, and seeking to build thriving, resilient, empowered communities. The plan sets targets for outcomes consistent with maintaining a sustainable council that provides valued services to its communities.

4. Determining the interventions necessary to optimise the achievement of the intended outcomes;

The strategic partnership and corporate plans are translated into service plans prepared within each council service area. These facilitate delivery of agreed outcomes and assist in securing continuous improvement. Service plans are reported to a meeting of the council or appropriate service committee for consideration and approval, in reports that provide information on planned activity. More generally, all committee reports contain a ‘Summary of Implications’ section that links report content to strategic plans, legal and policy issues; financial

implications, risk, staffing and property matters; equalities; social impact; and climate change and biodiversity considerations. A particular focus is given to financial implications given the current economic climate.

The council is fully aware of the financial challenges it faces and through its established committee structures, elected members have been provided with an extensive volume of information on both the availability of resources and options for future service delivery. This has been reflected in reports to the council on budget setting, including projections for the medium to longer term, and regular budget monitoring reports. The council successfully delivered a balanced budget for 2024/25, noting that its financial position in future years is not sustainable based on current known factors.

This sustainability issue is one of a number of issues highlighted by the Accounts Commission during the period in its latest report on Best Value, with concerns raised about the council's capacity to effect change of the scale required within a relatively short time frame.

The achievement of agreed outcomes is monitored through an established Performance Management Framework that calls for frequent reporting on key performance measures developed for each service. In addition, the council participates in the Local Government Benchmarking Framework which compares a range of established performance measures with those of other Scottish local authorities. Elected members are provided with reports to review, scrutinise and note actions undertaken by services to meet performance objectives and an annual Public Performance Report is prepared and published.

5. Developing the entity's capacity, including the capability of its leadership and the individuals within it;

The Corporate Management Team (CMT) consists of a Chief Executive, two Deputy Chief Executives and the Chief Officer, Health & Social Care Moray. CMT is supported by a Senior Management Team (SMT) comprising nine Heads of Service. CMT/SMT meet frequently to discuss and provide leadership on the strategic direction of the council.

The Chief Executive is responsible and accountable to the council for all aspects of management including promoting sound governance, providing quality information/support to inform decision making and scrutiny, supporting other statutory officers, and building relationships with all elected members. This role is currently filled on an interim basis following retirement of the permanent jobholder. Four other senior management posts have also seen changes during the period due to staff retiring or leaving the organisation.

Leadership capacity of senior officers is supported through the promotion of a Leadership Forum, which brings together senior managers from all services to provide a wider perspective to the consideration of issues facing the council. Forum meetings ensure consistent messaging is available from senior management to

managers. Human Resources has continued to review and refine the leadership development strategy and provide training opportunities online.

The council has an agreed elected members' development strategy that includes an on-going training programme of learning, development and briefings. Members appointed to certain committees also receive specific training related to the responsibilities of these committees. A Strategic Leadership Forum has been established involving both elected members and senior officers to facilitate cross party discussions on the future direction of council services.

In addition, elected members represent the council on a range of outside bodies, including on boards of other Community Planning partners, across partnership bodies such as the Moray Economic Partnership, various national bodies such as COSLA and its themed Boards, and a broad range of charitable and third sector organisations. This representation provides valuable learning and networking opportunities for those members.

6. Managing risks and performance through robust internal control and strong public financial management;

The council has a risk management policy designed to support the identification, evaluation and mitigation of risks that may impact on its ability to meet its objectives. The policy was updated during the year. A Corporate Risk Register is also maintained providing summary information on what the CMT/SMT considers are the principal risks facing the council. The register describes how these are managed and controlled. Risk implications feature in committee reports to inform the decision-making process.

The council's system of internal control is based on a framework of financial regulations, regular management information, administrative procedures, management supervision and a scheme of delegation that defines accountabilities of senior officers. Establishing and maintaining an effective system of internal control is a management function. An Audit and Scrutiny Committee, through its consideration of reports by internal and external auditors, monitors the effectiveness of the system of internal control.

Strong financial management is secured through the work of the Chief Financial Officer appointed in terms of s.5 of the Local Government (Scotland) Act 1973. This officer advises the Council on all financial matters and ensures the timely production and reporting of budget estimates, budget monitoring reports and annual accounts. Draft and audited Annual Accounts are published on the council website.

7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability;

Council business is conducted through an established cycle of webcast committee meetings. Webcasts remain available for viewing for 12 months following a meeting. Meeting dates are published in advance, and agenda papers are made available at

least one week before meetings take place. Minutes of meetings are prepared, and important decisions are publicised on the council website and through social media.

The council's website provides a platform from which to disseminate a wide range of information including news items on policy decisions, guidance on council services, and on service disruptions/interruptions arising from weather events or similar. The website increasingly facilitates efficient access to digital services across a range of service areas and allows for consultations to be undertaken and for interested parties to provide feedback electronically.

The council responds to the findings and recommendations of Internal Audit, External Audit, and other Scrutiny and Inspection bodies by developing improvement Action Plans. The Audit and Scrutiny Committee is integral to overseeing independent and objective assurance processes that make recommendations for improvements to the system of internal control. Training for elected members on the specifics of effective scrutiny was provided during the period.

The council responds to requests for information under Freedom of Information legislation having processed over 1,500 such requests during the period covered by this statement.

Review of the Adequacy and Effectiveness of the Council's Governance Framework

In order to assess the effectiveness of the governance framework, including the system of internal control, it is necessary to consider the role of the functions and individuals who contribute to it, as follows:

- **Elected Members**

Governance arrangements at a political level emanate from the council, its committees and from other roles that elected members fulfil. These include participation in the Community Planning Board and associated groups for multi-agency issues. Elected members also have substantive roles on the Moray Integration Joint Board for Health and Social Care, the Grampian Valuation Joint Board, and the Moray Leisure Arm's Length External Organisation (ALEO), each of which has its own governance arrangements. In addition, elected members have membership and represent Moray Council interests in partnerships that contribute to meeting council aims and objectives, notably in the development and delivery of the Moray Growth Deal.

Audit and Scrutiny Committee

The council has an Audit and Scrutiny Committee where elected members consider reports on audit matters. These provide assurances on the adequacy and effectiveness of the system of internal controls including those relative to the delivery of plans, compliance with laws and regulations, accuracy of information and safeguarding of assets. The Committee functions in line with best practice guidance published by the Chartered Institute of Public Finance and Accountancy. Two

external members sit on the committee to provide an independent perspective on issues under consideration.

This committee is a key component of good governance, distinguished from other committees by the role elected members are required to fulfil, not in setting policy or considering service matters, but by providing independent oversight and challenge in support of the council's duty to secure continuous improvement. These functions are delivered independently from the supervisory oversight roles of the Corporate and Senior Management Teams.

• **The Corporate Management Team**

The Corporate Management Team (CMT) has overarching operational responsibility for good governance arrangements. The team comprises the Chief Executive, two Deputy Chief Executives with portfolio responsibilities for Education, Communities and Organisational Development; and Economy, Environment and Finance respectively, and the Chief Officer (Health and Social Care Moray).

• **The Corporate Management Team / Senior Management Team**

This is an extended management team comprising the CMT and Heads of Services. The role and remit of this group is to support the formulation and implementation of policies, strategies and plans to achieve local and national outcomes, to share and promote good practice from an inter-service perspective, to act with the wider objectives of the council in mind to ensure the resources are effectively deployed, and to assist CMT in keeping the governance of the council and its services under review.

Individual Heads of Service, collectively the Senior Management Team (SMT), have considered the effectiveness of governance arrangements within their respective services by reference to the principal risks identified in the council's Corporate Risk Register and provided assurance statements for use in the preparation of this corporate statement. This affirms the broad ownership of good governance and recognition of its importance within the senior leadership of the council.

Overall, the assurance statements provided confirm that governance arrangements within services are working as intended, and in support commentary has been given on elevated risks and on mitigating actions taken in response. The main issues raised in these returns are:

- Staffing shortages and vacancies impacting on capacity to deliver change at pace and on the interdependencies required to progress complex areas of work.
- Continuing risk of data breaches with monitoring statistics showing the number of breaches remaining broadly similar compared with last year. This despite mitigating actions having been taken to provide refresher training and remind staff of the importance of holding personal data safely and securely.

- Elements of partnership working require on-going attention, including oversight and control of the council's funding contribution to the Health and Social Care Partnership (as detailed further below), and a need to progress work to secure an updated service level agreement with Moray Leisure Centre.
 - Housing Service obligations to monitor homelessness data and progress electrical safety improvements in council houses in support of national initiatives directed by the Scottish Housing Regulator.
 - A need for continued focus on Health and Safety requirements thereby protecting the workforce and minimising the number of reportable incidents.
- **The Head of Governance, Strategy and Performance (Monitoring Officer) / Chief Financial Officer**

The Head of Governance, Strategy and Performance and the Chief Financial Officer perform their respective statutory duties as outlined elsewhere in this statement. In discharging the responsibilities of the role, the Chief Financial Officer complies with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer, and the Head of Governance, Strategy and Performance provides an annual report on the duties of Monitoring Officer to a meeting of the council.

- **The Chief Social Work Officer**

The Head of Service, Health and Social Care Moray fulfils the statutory role of Chief Social Work Officer (CSWO) as part of the duties of the post. The latest available CSWO annual report for the year to 31 March 2024 notes continuing challenges, with increased service needs set against financial and recruitment pressures.

This is the first year Children & Young People and Criminal Justice Social Work services have been fully integrated into the Health and Social Care Partnership. The report describes this as a period of many changes and adjustment, and that work will continue to better align governance structures across Health and Social Care.

Improvements under way include replacement of the case management system, development of data used for performance reporting, and progressing the review of adult commissioning arrangements in response to a recently completed audit of current practice by an external firm.

The report also noted an impending change in the holder of the CSWO post and in a number of other senior manager roles and stresses the importance of ensuring services remain as stable as possible during a period of further transition. Key to this will be the realisation of savings plans, while delivering appropriate and proportionate services that uphold the rights and best interests of individuals in need of support. Interim appointments have since been made to the posts of CSWO and Chief Officer - Health and Social Care.

- **Internal Audit**

The Audit and Risk Manager is accountable on a day-to-day basis to the Head of Governance, Strategy and Performance and to the Audit and Scrutiny Committee. Internal Audit applies mandatory Public Sector Internal Audit Standards (PSIAS) in delivering the Internal Audit Service.

PSIAS requires an external quality assessment of Internal Audit to be undertaken at least every five years. This assessment was conducted during the year and disclosed that the service fully complies with these Standards.

The Council has a system of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The internal audit plan for the year includes a range of audit projects covering main financial systems, other systems operating within services and several ad-hoc/unplanned projects. The outcomes from these projects, together with any recommendations to enhance the control environment, are reported to the Audit and Scrutiny Committee. This Committee is chaired by an elected member who is not part of the council Administration. Almost all planned reviews detailed within the Annual Internal Audit Plan for 2023/24 were completed as scheduled.

PSIAS requires an internal audit opinion to be provided annually. As planned audit work was substantially completed by the year-end and based on this and other knowledge of the organisation and its control systems, it is the opinion of the Audit and Risk Manager that reasonable assurance can be placed upon the adequacy and effectiveness of the internal control environment which operated in the council during the year.

- **Health & Social Care Partnership**

The council, as a key partner of Health and Social Care Moray has an interest in the governance arrangements of the Moray Integration Joint Board (MIJB). This given its financial exposure as a principal funder and continuing statutory responsibilities for Social Work services and the role of the Chief Social Work Officer.

Audit arrangements for the MIJB are provided jointly by the council's Internal Audit Service and NHS Grampian's Internal Auditors. The council's Audit and Risk Manager (as Chief Internal Auditor for the MIJB) provides assurance over social care services, and oversight of the MIJB governance arrangements. There is no formal reporting of internal audit work relative to NHS services delivered under direction by the IJB, these audits are reported solely to the NHS Grampian's Audit Committee. This position remains under review, the appointed NHS internal auditors being contractually accountable only to the NHS and not to any other third party.

From audit work completed in this role, the Chief Internal Auditor has provided an opinion of only limited assurance that the Moray Integration Joint Board has adequate systems of governance and internal control for the year ended 31st March 2024.

A particular governance consideration for the council on a recurring basis is the financial sustainability of the MIJB, with any overspend against budget requiring to be met by NHS Grampian and the council as principal funders, pro-rata in line with an agreed funding agreement. For the 2023/24 financial year, an overspend was forecast and work undertaken to identify savings. While progress has been made, service pressures in Health and Social Care are likely to persist and require close monitoring going forward.

- **External Agencies**

In addition to the various internal review processes and the external audit of the Annual Accounts, aspects of the council's governance arrangements are considered in various inspection reports produced by the external auditor and other inspectorate agencies.

The latest Accounts Commission Best Value Report on the council, while highlighting areas of good practice, made a number of recommendations to further strengthen systems and processes in key strategic areas. The council in response has reviewed its governance arrangements around priorities and strategic direction, and prepared a comprehensive Best Value Action Plan and Transformation Strategy to aid progress. The Best Value Report findings were formally accepted at a special meeting of the council on 12 June 2024. A need for additional resources to support implementation of these plans has been identified.

Overall assessment of the effectiveness of governance arrangements

Having regard to the information provided in the preceding paragraphs, it is considered that established systems and processes are broadly fit for purpose and not inconsistent with the seven principles identified in the 'CIPFA/SOLACE' Framework 'Delivering Good Governance in Local Government.'

Significant governance issues

Governance issues requiring attention for the prior financial year 2022/23 were described in the management commentary published with the Annual Accounts for that year as risks and mitigation measures. They were not restated in the Annual Governance Statement. The council has a good awareness of its risks through regular consideration of its Corporate Risk Register, and of how it seeks to mitigate these risks having regard to the extensive regulatory framework in which it operates.

Looking forward, the focus on strengthening governance arrangements further has been aligned to a recent Accounts Commission Best Value report, and to a report prepared by an external adviser who provided consultancy support during the period. These reports informed a Best Value self-assessment exercise completed by council

managers and the development of a three-year action plan designed to effect improvements. The following are priority areas:

- Continue work to establish a clear shared vision for Moray that supports delivery of sustainable public services.
- Maintain current activity to ensure leadership is effective and there is good collaboration between elected members and senior officers.
- Increase the pace of transformation and identify savings with the intention of securing longer term financial sustainability.
- Revisit governance arrangements covering partnerships; principally for Health and Social Care Moray in respect of performance and early identification of any significant financial and service risks.

Creating capacity to deliver these priorities alongside the 'routine' business of the council will be key to maintaining good governance arrangements. The challenge of doing so remains considerable with difficulty in recruiting staff an issue reported across many services and a number of senior manager positions presently vacant or filled on an interim basis. Despite the risk this presents in terms of service continuity, it also provides an opportunity to review roles and responsibilities within current structures and determine any revisions necessary to support the effective delivery of change going forward.

Concluding Remarks

This Annual Governance Statement summarises the extensive governance arrangements the council has in place to support delivery of its strategic plans and to secure Best Value in its use of resources. While the statement demonstrates that these arrangements are comprehensive and broadly fit for purpose, there are multiple influences, both external and internal, that will impact on how council services are designed and delivered going forward. It is clear that a period of significant change and challenge lies ahead and this, inevitably, will require further refinement of existing governance arrangements. In our respective roles as Council Leader and Interim Chief Executive, we are committed to making this happen to ensure the council and its resources continue to be effectively managed and controlled.

Kathleen Robertson
Leader of the Council

John W Mundell OBE
Interim Chief Executive

26th June 2024