

### The Moray Council

### Annual Governance Statement - 2018/19

#### 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.

An updated 'CIPFA/SOLACE' Framework 'Delivering Good Governance in Local Government' together with associated guidance for Scottish Local Authorities was published in 2016. The Framework's overall aim is 'to ensure that resources are directed in accordance with agreed policy and according to priorities; that there is sound and inclusive decision making; and that there is clear accountability for the use of these resources in order to achieve the desired outcomes for service users and communities'. An update to the local code for the council based on the latest CIPFA/SOLACE guidance remains under consideration.

This annual governance statement explains how the Council has used the 2016 Code as a basis for considering the effectiveness of its own governance arrangements.

#### The governance framework

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

#### **Governance Principle 1 – behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**

The roles and responsibilities of elected members and officers and the processes to govern the conduct of the council's business are defined in constitutional documents. These comprise standing orders, a scheme of administration, scheme of delegation, and financial regulations which are reviewed and updated annually.

Codes of Conduct are in place for elected members and senior officers, which require them to exercise leadership through exemplary standards of behaviour, and ensure established values are replicated effectively throughout

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## **Annual Governance Statement - 2018/2019 (continued)**

the organisation. Registers of Interests for elected members are prepared under statutory provision to disclose any potential areas where conflicts of interest might arise, and there is a similar council register for disclosures by senior managers.

The council's Monitoring Officer has a statutory responsibility to ensure established procedures are followed and that all legislative and other regulatory processes are complied with.

Workforce Culture continues to be a focus as a means of strengthening staff governance, supporting staff morale and taking forward issues including promoting positive behaviour in the workplace and ensuring employees are recognised and valued. A workforce culture toolkit has been developed for use by managers, which provides tools to develop a strategy on how to tackle and improve the culture in the workplace, including a methodology for workload management and ongoing delivery of staff engagement activities designed to promote positive working relationships.

### **Governance Principle 2 – ensuring openness and comprehensive stakeholder engagement.**

The council's decision-making processes are well established with major decisions being taken by council or one of a number of service committees. The presumption is for openness or where this is not the case, a justification of the reasoning for keeping a decision confidential is provided.

Community consultation on a range of issues was carried out with citizens, service users and staff, covering topics in Housing, Planning, and Social Care, and work was progressed on community engagement through locality planning and participatory budgeting. Community Asset Transfers enabling council facilities to be managed by community groups have also been taken forward.

This period also saw increased use of the Moray Connected project, which is focused on the development of digital services and improving customer accessibility to an increasingly wide range of council services.

Protocols are in place to meet requests made under the Freedom of Information Act and to publicise the nature of those requests on the council website.

### **Governance Principle 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. 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'.

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## **Annual Governance Statement - 2018/2019 (continued)**

This plan developed in conjunction with Community Planning partners, identifies a number of key priorities covering 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 changing our relationship with alcohol. Each priority has been developed based on experiences and evidence drawn from the partner agencies.

The council's own corporate planning priorities, having been agreed for the period 2018-2023, identify service developments in Education, Health and Social Care and for the economy to be taken forward, recognising the need to ensure that services are sustainable and targeted to areas where they will have greatest impact. The plan recognises that transformation of services will be essential given the council's financial position and this manifests itself in an improvement and modernisation programme now underway.

### **Governance Principle 4 – determining the interventions necessary to optimise the achievement of intended outcomes.**

The council recognises the financial challenges it faces and through its established committee structures and other briefings from CMT/SMT has furnished elected members with an extensive volume of information on both the availability of resources and options for future service delivery. The council successfully delivered a balanced budget for 2019/20 year albeit involving the use of further reserves which are now approaching the 'safe' minimum reserves limit as outlined in an updated reserves policy.

Clear information has been made available to the council around financial planning including asset management and for each priority identified in the Corporate Plan there are clear statements of intent in terms of how services need to evolve and a summary of outcomes the council wishes to secure. All reports placed before council committees contain a summary of implications section to link individual proposals to overarching strategic plans, and ensures matters relative to good governance including risks, legality and equalities are given due consideration as part of decision making processes.

A consistent theme around proposals for policy development is the recognition that the council and its partners will continue to promote preventative policies, leading to reduced interventions by partners, and enhanced community engagement and involvement.

### **Governance Principle 5 - developing the entity's capacity, including the capability of its leadership and the individuals within it.**

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. This has particular significance given the combination of a minority council administration and dynamic national and international political issues. These together create an increased political tension which councillors and officers have to work hard to navigate.

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## **Annual Governance Statement - 2018/2019 (continued)**

An extensive programme of induction was provided to new and returning councillors to help them settle into the role and get a fuller understanding of the challenges facing the council. This was supplemented by specific training on various elements of council business, targeted briefing sessions on specific topics and development sessions with the corporate management team designed to help elected members develop and refine their judgement, prioritisation and decision making skills. Further training opportunities are being considered to support elected member development.

For employees, access to training is available in various forms, through professional bodies to which employees belong, and through specialist training teams located within services. Whilst budgetary constraints continue to limit external training opportunities, the Corporate Services Organisational Development Team provides a programme of training including online modular training which staff can access. The council also promotes an 'Employee Review and Development' process to ensure as far as practicable that development and support needs of individual staff members can be addressed.

Leadership capacity of senior officers is supported through promotion of a Leadership Forum which brings together senior managers from all council services to bring a wider perspective to the consideration of issues facing the council. Corporate Directors also undertake learning visits and hold listening meetings to maintain a perspective on developments within services.

### **Governance Principle 6 – managing risks and performance through robust internal control and strong public financial management.**

The Council has arrangements in place covering risk, performance management, internal control and financial management. Aside from issues not delegated by the Council, including annual budget setting and consideration of the annual accounts, the oversight of risk and financial monitoring is primarily with Policy and Resources Committee, and performance management is scrutinised by service committees.

The council has a risk management policy and strategy designed to support the identification, evaluation and mitigation of risks which may impact on its ability to meet its objectives. A Corporate Risk Register provides summary information on what the Corporate Management Team and Senior Management Team considers are the principal risks facing the Council and how these are managed and controlled. Risk implications also feature in committee reports to inform decision making where required.

The council 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

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## **Annual Governance Statement - 2018/2019 (continued)**

Committee, through its consideration of reports by internal and external auditors, monitors the effectiveness of internal control procedures.

The council participates in the National Fraud Initiative, a data matching programme involving other public bodies, to provide assurances on the robustness of information held by the council as well as highlighting data anomalies that require to be addressed. The security of personal data held for this and other purposes is recognised as of key importance and an Information Assurance Group has been established to promote best practice in this area. A policy to combat fraud, theft, bribery and corruption sets out the council's zero tolerance to such behaviours.

Strong financial management procedures are secured through the work of the Chief Financial Officer appointed in terms of s. 95 of the Local Government (Scotland) Act 1973. This officer provides advice to the council on all financial matters and ensures the timely production and reporting of budget estimates, budget monitoring reports and annual accounts.

### **Governance Principle 7 – implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

Council business is conducted through an established cycle of committee meetings held in public (unless exempt under statutory provision) and available on the internet by webcast. Meeting dates are published in advance and agenda papers are made available at least one week prior to meetings being held. Committee reports follow a corporate style and include: the purpose of the report, information relevant to the matter under consideration, a conclusion and recommendations proposed. Minutes of meetings are prepared and important decisions are publicised on the council website and through social media.

Information is disseminated in many forms targeted at different audiences for different purposes ranging from statutory returns that follow prescribed layouts, through newsletters which target specific groups of service users, to consultation documents which contain basic information designed to elicit initial interest in particular services. A style guide is used to provide consistency in the production of written materials. Guidance on customer focus sets standards to be followed when engaging with citizens.

Assurance and accountability oversight is a key role for the Audit and Scrutiny Committee which is chaired by a member of the political opposition. The committee receives reports on the work of the internal auditor and the external auditor placing particular focus on recommendations arising from audit work and on the corrective actions proposed by service management. The committee also has a scrutiny role, currently under review, and holds services to account for the topics selected for consideration.

### **Effectiveness of governance arrangements**

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## **Annual Governance Statement - 2018/2019 (continued)**

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 service committees, the Audit and Scrutiny committee and other activities that elected members participate in. These include the Community Planning Board and associated groups for multi-agency issues. Councillors also have substantive roles on Moray Integration Joint Board for Health and Social Care, on the Grampian Valuation Joint Board, and on the Moray Leisure Arm's Length External Organisation (ALEO), each of which has its own governance arrangements.

- **The Corporate Management Team**

The Corporate Management Team (CMT), which has operational responsibility for good governance arrangements, comprises the Chief Executive, and three Corporate Directors with portfolio responsibilities for Corporate Services, Economic Development Planning and Infrastructure, and Education and Social Care. The Chief Officer (Health and Social Care Integration) is also a member of the CMT. An external review of council management structures is being progressed at the time of drafting this statement.

- **The Corporate Management Team / Senior Management Team**

This is an extended management team comprising the CMT and Heads of Service. 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, 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 assist CMT in keeping the governance of the Council and its services under review.

For the first time, for the 2018/19 year, individual senior managers within CMT/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 strategic governance issues across the CMT/SMT.

Governance issues highlighted within the assurance statements are for the most part replicated in this summary statement. Service specific issues disclosed relate to the need for improved compliance with the definitions of waste categories sent for landfill to minimise landfill tax payments and

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## **Annual Governance Statement - 2018/2019 (continued)**

elevated risks for Children's Services consequential to vacancies in key roles (including that of chair of the Child Protection Committee) and increasing complaints around social work practice.

- **The Head of Legal and Democratic Services (Monitoring Officer / Head of Financial Services)**

The Head of Legal and Democratic Services and the Head of Financial Services perform their respective statutory duties as outlined elsewhere in this statement. Whilst neither officer is a formal member of the corporate management team both are actively involved in, and are able to influence, decision making processes. In discharging the responsibilities of the role the Head of Financial Services complies with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer, and the Monitoring Officer presents an annual report on his work to the Policy and Resources Committee.

- **The Chief Social Work Officer**

The Head of Service (Strategy and Commissioning) of Health and Social Care Moray was appointed to the statutory role of Chief Social Work Officer (CSWO). The role was previously fulfilled by the Head of Integrated Children's Services who left the council's employment in August 2018.

The latest available CSWO annual report for the 2017/18 year describes the social services delivery landscape, financial challenges consequential to changing demographics, service quality and performance and workforce development issues. It has been recognised that the role of the Chief Social Worker may become more difficult to fulfil within integrated partnership arrangements and there are plans to review governance arrangements relative to the statutory duty to ensure these are clear and fully understood.

- **Internal Audit**

Internal Auditing is defined in the Public Sector Internal Audit Standards (PSIAS) as an independent, objective, assurance and consultancy activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Internal Audit Manager is accountable on a day-to-day basis to the Corporate Director (Corporate Services) and to the Audit and Scrutiny Committee. The internal audit plan for the year included a range of audit projects covering main financial systems, other systems operating within services and a number of ad-hoc/unplanned projects. The outcomes from these projects together with any recommendations to enhance the control arrangements in place are reported to an Audit and Scrutiny Committee. This Committee is chaired by an opposition councillor.

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## **Annual Governance Statement - 2018/2019 (continued)**

During the year internal audit was subject to an external peer review process in compliance with the PSIAS. The results of the review were reported to the Audit and Scrutiny Committee at its meeting in April 2019. A number of areas of good practice were identified and the report concluded that the service generally conforms to the PSIAS. The review identified a number of areas for improvement and an action plan has been developed to be taken forward for implementation during 2019/20.

The PSIAS requires an internal audit opinion to be provided annually, and based on his knowledge of the organisation and on audit work completed, it is the opinion of the Internal Audit Manager that reasonable assurance can be placed on the Council's on the council's framework of governance, risk management and internal control for the year ended 31 March 2019.

### **• 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.

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.

### **Review of effectiveness of governance arrangements**

Having regard to the information provided in the preceding paragraphs it is considered that established systems and processes are effective and enable the council to meet the seven principles identified in the 'CIPFA/SOLACE' Framework 'Delivering Good Governance in Local Government'

### **Prior year governance issues**

Governance issues highlighted in the annual governance statement for 2017/18 have been progressed as follows:

- There has been some progress towards delivery of the objectives of the Local Outcome Improvement plan including creation of the Moray Economic Strategy 2019-2029, and work on developing Locality Plans for New Elgin and Buckie. Overall progress has been slower than anticipated for various reasons, including a lack of capacity to progress the work, and commitment to partnership working being subordinate to individual organisational priorities. A report to the Community Planning



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## **Annual Governance Statement - 2018/2019 (continued)**

Board noted that 'to deliver a change in the outcomes from community planning partnership work will require a change in approach and this will need commitment from partners at a time when there are considerable pressures on individual organisations which restrict the ability to develop new ways of working for community planning'. Governance challenges remain going forward.

- Delivery of the Corporate Plan depends substantially on the Council's ability to fund the proposals and having developed the plan there was the priority within it of delivering financial sustainability and related to that the challenge of securing a balanced budget for 2019/20. To ensure plans and financial resources remain aligned going forward, priorities in the corporate plan will be reviewed to ensure they continue to reflect priorities and policy direction, and that these are linked to the level of resources available to the council. Work on this is already under consideration ahead of next year's budget setting process.
- Community engagement is extensive and takes many forms, through digital and social media to public events and press releases. Such engagement must be relevant and meaningful and so was limited towards the latter stages of budget setting given that service reductions were unavoidable. A proportionate approach to consultation was envisaged and delivered, recognising there is a need for the council to remain vigilant to ensure this important issue is not unduly diminished.
- A commitment to progress the implementation of actions identified in an improvement plan prepared following the joint inspection of children's services in Moray was delivered. This was evidenced through follow up inspections which demonstrated that good progress had been made. Maintaining the improvements in service provision is the imperative.
- A commitment to work closely with the Moray Integration Joint Board was taken forward; this is an evolving multi-year project which will continue as the move to securing more closely integrated health and social care services is progressed. Governance challenges will remain in terms of service affordability.

### **Looking forward - 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. These challenges remain.

Key governance challenges going forward will involve:

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## **Annual Governance Statement - 2018/2019 (continued)**

- Providing capacity to meet statutory obligations and community expectations against a background of continuing funding reductions and rising demand for services. An Improvement and Modernisation Programme has been established to support this process.
- Making difficult choices across the political spectrum as to the use of resources in ways that deliver the best possible outcomes for the citizens of Moray.
- Continuing to address key challenges in education around improving attainment, staff recruitment and retention, and developing a school estate that is fit for purpose.
- Ensuring community and corporate plans remain relevant, achievable and sustainable relative to constraints affecting all public sector organisations.
- Continuing to pursue external funding opportunities including the Moray Growth deal where these have the potential to support opportunity and development in the local area.
- Working closely with the Moray Integration Joint Board to support integration of Health and Social Care, particularly in respect of financial planning arrangements and management of the associated risks.
- Monitoring 'Brexit' negotiations and the potential impacts on people, financial resources and regulations; acknowledging the considerable uncertainty that remains at the time of drafting this statement.

### **Concluding Remarks**

In our respective roles as Leader of the Council and Chief Executive, we are committed to good governance and recognise the contribution it makes to securing delivery of service outcomes in an effective and efficient manner. This annual governance statement summarises the Council's current governance arrangements, and affirms our commitment to ensuring they are regularly reviewed and remain fit for purpose.

While the financial sustainability of the council going forward remains our over-arching concern, we will continue to engage with all councillors, managers and staff, partners and the wider community as appropriate to agree plans and outcome targets that are both sustainable and achievable. Taking those forward will be challenging as we look to reconfigure services to optimal effect. Good governance will remain essential in delivering services in a way that both meets the needs of communities and discharges statutory best value responsibilities.

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## **Annual Governance Statement - 2018/2019 (continued)**

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Cllr. G Leadbitter  
Leader of the Council  
June 2019

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Roderick D Burns  
Chief Executive