

## **Local Code of Corporate Governance**

### **Report by Chief Executive**

### **Report for Decision**

## **1 Recommendations**

The Audit Committee is invited to:

- a) Note the changes outlined in this report;
- b) Recommend to Council for approval of the updated Local Code of Corporate Governance (Appendix 1); and
- c) Note that the updated Local Code will be used for the 2020/21 annual assurance process.

## **2 Purpose of Report/Executive Summary**

This report provides the Audit Committee with the opportunity to scrutinise the updated Local Code of Corporate Governance for Midlothian Council and recommend it for Council approval, to assist with the 2020/21 annual assurance process.

Midlothian Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council's Local Code of Corporate Governance, which is consistent with the principles and recommendations of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' and the supporting guidance notes for Scottish authorities (2016), was approved by Council in December 2017.

The Local Code has been updated as part of Internal Audit's assessment of internal control and governance and through engagement with the Corporate Management Team.

The updated Local Code of Corporate Governance (Appendix 1) will require approval by Council to ensure this key document continues to be relevant and complete to reflect the appropriate framework for effective governance of the Council's affairs and facilitate the exercise of its functions to deliver best value.

**Date 03 February 2021**

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### **3 Background**

- 3.1** Midlothian Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 3.2** The Council's Local Code of Corporate Governance, which is consistent with the principles and recommendations of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' and the supporting guidance notes for Scottish authorities (2016), was approved by Council in December 2017.
- 3.3** Fundamentally Corporate Governance is about openness, integrity and accountability. It comprises the systems and processes, and cultures and values by which the authority is directed and controlled and through which it accounts to, engages with and, where appropriate, leads its communities.
- 3.4** The CIPFA/SOLACE Framework urges local authorities to review the effectiveness of their existing governance arrangements against their Local Code, and prepare a governance statement and report compliance on an annual basis.
- 3.5** The Audit Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.<sup>1</sup>

### **4 Local Code of Corporate Governance**

- 4.1** The Midlothian Council Internal Audit Annual Assurance Report 2019/20, which was presented to the Audit Committee on 22 June 2020, stated within the audit opinion section:

“The Council's Local Code of Corporate Governance (approved December 2017) complies with the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016). The Local Code has been updated as part of Internal Audit's assessment of internal control and governance to include comprehensive evidence against each of the seven principles of good governance and sub-principles. The updated Local Code will require approval by Council to ensure this key document continues to be relevant and complete to reflect the appropriate framework for effective governance of the Council's affairs and facilitate the exercise of its functions to deliver best value.”
- 4.2** It was agreed that a report would be presented to a future meeting of the Audit Committee on the updated Local Code of Corporate Governance for Midlothian Council prior to being presented to Council for approval. Updates on progress were provided at subsequent meetings of the Audit Committee as part of the Actions Log.

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<sup>1</sup> CIPFA guidance note for local authorities 'Audit Committees' (2018)

- 4.3** The 7 core principles of good governance set out in the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) are:
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
  - B. Ensuring openness and comprehensive stakeholder engagement
  - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
  - D. Determining the interventions necessary to optimise the achievement of the intended outcomes
  - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
  - F. Managing risks and performance through robust internal control and strong public financial management
  - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability
- 4.4** The Council's Corporate Management Team (CMT) were provided the opportunity to engage in the review and finalisation of the updated Local Code of Corporate Governance, and considered one Local Code principle at a time as follows:
- CMT 5 August 2020 – Principle G
  - CMT 19 August 2020 – Principle F
  - CMT 9 September 2020 – Principle E
  - CMT 23 September 2020 – Principle D
  - CMT 14 October 2020 – Principle C
  - CMT 4 November 2020 – Principle B
  - CMT 18 November 2020 – Principle A
- 4.5** Discussions were held thereafter with relevant members of CMT to update the evidence to demonstrate good governance which reflects the current operating environment, thus revising one Local Code principle at a time.
- 4.6** The CMT considered the collated revised Local Code of Corporate Governance at its meeting on 16 December 2020 and again on 24 February 2021 for sign-off in order to finalise the updated Local Code.
- 4.7** The main changes to the Local Code cover:
- Comprehensive evidence against each of the seven principles of good governance and sub-principles;
  - Updates to strategies, plans and processes which reflect the current operating environment;
  - Further developments in community and citizen consultation and engagement activities; and
  - Enhancements arising from audit and inspection findings, and other planned changes.
- 4.8** The updated Local Code of Corporate Governance for Midlothian Council (Appendix 1) is presented to the Audit Committee for scrutiny prior to approval by Council. The updated Local Code will be used for the 2020/21 annual assurance process.

## **5 Report Implications (Resource, Digital, Risk and Equalities)**

### **5.1 Resource**

The overall aim of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016), on which Midlothian Council's Local Code of Corporate Governance is framed, 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.

Core principle of good governance "E. Developing the entity's capacity, including the capability of its leadership and the individuals within it" is included within the CIPFA/SOLACE Framework. Workforce and elected member development are a key part of the good governance framework within the Council's Local Code of Corporate Governance.

### **5.2 Digital**

There are no digital implications arising from this report.

### **5.3 Risk**

The review and update of the Local Code of Corporate Governance will ensure that internal controls, risk management and other governance arrangements reflect the arrangements in place on an evidence-basis.

Core principle of good governance "F. Managing risks and performance through robust internal control and strong public financial management" is included within the CIPFA/SOLACE Framework. Midlothian Council's evidence of systems, processes and documentation to demonstrate local compliance with this core principle of good governance is set out in its updated Local Code of Corporate Governance.

### **5.4 Ensuring Equalities**

This report does not relate to a new or revised policy, service or budget change, which affects people (the public or staff), so an Integrated Impact Assessment (IIA) is not an applicable consideration.

The application of equalities legislation within practices is set out in Midlothian Council's Local Code of Corporate Governance to demonstrate compliance of core principle of good governance "A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law" which is included within the CIPFA/SOLACE Framework.

### **5.5 Additional Report Implications (See Appendix A)**

## **APPENDIX A – Additional Report Implications**

### **A.1 Key Priorities within the Single Midlothian Plan**

Good governance is important to enable Midlothian Council to deliver its key priorities in support of achieving the Council's objectives as set out in the Single Midlothian Plan.

### **A.2 Key Drivers for Change**

Key drivers addressed in this report:

- ☒ Holistic Working
- ☒ Hub and Spoke
- ☒ Modern
- ☒ Sustainable
- ☒ Transformational
- ☒ Preventative
- ☒ Asset-based
- ☒ Continuous Improvement
- ☒ One size fits one
- ☐ None of the above

Midlothian Council is committed to creating a great place to grow supported by the 9 drivers for change. Implementing the 9 drivers for change in practice is embedded in the Council's Local Code of Corporate Governance to assist the Council in achieving its objectives.

### **A.3 Key Delivery Streams**

Key delivery streams addressed in this report:

- ☒ One Council Working with you, for you
- ☒ Preventative and Sustainable
- ☒ Efficient and Modern
- ☒ Innovative and Ambitious

### **A.4 Delivering Best Value**

The overall aim of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016), on which Midlothian Council's Local Code of Corporate Governance is framed, 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.

This will enable the Council to fulfil its obligations to provide best value service delivery to its citizens.

### **A.5 Involving Communities and Other Stakeholders**

Core principle of good governance "B. Ensuring openness and comprehensive stakeholder engagement" is included within the CIPFA/SOLACE Framework. Midlothian Council's evidence of systems,

processes and documentation to demonstrate local compliance with this core principle of good governance is set out in its Local Code of Corporate Governance.

The Council's Corporate Management Team has been engaged in the review and finalisation of the updated Local Code of Corporate Governance, and the update of the evidence to demonstrate good governance which reflects the current operating environment.

#### **A.6 Impact on Performance and Outcomes**

The updated Local Code will be used for the 2020/21 annual assurance process. This process includes the annual self-assessment, the identification of improvement actions that are designed to enhance the internal control environment, and risk management and corporate governance arrangements, and the preparation and publication of an Annual Governance Statement reporting on the review and outcomes. This process not only creates an opportunity for the Council to set out its standards for good governance but also to ensure that its governance arrangements are seen to be sound. This is important as the governance arrangements in public services are closely scrutinised.

This demonstrates the core principle of good governance "G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability" included within the CIPFA/SOLACE Framework.

#### **A.7 Adopting a Preventative Approach**

Core principle of good governance "D. Determining the interventions necessary to optimise the achievement of the intended outcomes" is included within the CIPFA/SOLACE Framework. Prevention governance arrangements are a key part of the good governance framework within the Council's Local Code of Corporate Governance.

#### **A.8 Supporting Sustainable Development**

Core principle of good governance "C. Defining outcomes in terms of sustainable economic, social, and environmental benefits" is included within the CIPFA/SOLACE Framework. Midlothian Council's evidence of systems, processes and documentation to demonstrate local compliance with this core principle of good governance is set out in its Local Code of Corporate Governance.