

## Draft Annual Governance Statement 2020/21

### Report by Chief Executive

### Report for Decision

## 1 Recommendations

The Audit Committee is asked to:

- a) Consider the details of the draft Annual Governance Statement 2020/21 at Appendix 1 to ensure it reflects the risk environment and governance in place to achieve objectives, and acknowledge the actions identified by Management to improve internal controls and governance arrangements;
- b) Approve that it be published in the Council's Statement of Accounts 2020/21, noting the requirement for the final Annual Governance Statement to be signed by the Chief Executive and Leader of the Council at the conclusion of the external audit process; and
- c) Note that from March 2020 the Council have been managing the response to the Covid-19 Pandemic which resulted in two "lockdown" periods during the course of 2020/21.

## 2 Purpose of Report/Executive Summary

The purpose of this report is to propose that the Audit Committee considers and approves the draft Annual Governance Statement that will be published in the Council's Statement of Accounts 2020/21.

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.

This has been an unprecedented year. From March 2020 the Council has been managing the response to the Covid-19 Pandemic which resulted in two "lockdown" periods during the course of 2020/21. During these "lockdown" periods the Council committed to deliver three main functions: caring for the vulnerable, co-operating with our resilience partners, and supporting economic recovery. As part of the strategic response, the Midlothian Community Planning Partnership launched the Kindness Midlothian Campaign on 18 March 2020 prior to the first "lockdown" period. As part of the strategic recovery response, the Midlothian Route Map was approved by Council in June 2020. In addition, the Council have been working together with Nesta and the *Listen and Learn* Report was approved in September 2020. The Council also approved a new Economic Renewal strategy and an

accelerated Capital programme, as part of the Council's commitment to supporting Economic Recovery.

The Council's Local Code of Corporate Governance was reviewed and updated during 2020/21 through significant engagement with the Corporate Management Team to reflect the changes in corporate governance during 2020/21. The updated Local Code was approved by Council on 23 March 2021 to assist with the annual assurance process 2020/21.

The draft Annual Governance Statement 2020/21, which is appended to this report as Appendix 1 for consideration, is the output from the annual assurance process and review against the updated Local Code.

**Date 15 June 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** 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.

### **4      Changes in the Council's Corporate Governance during 2020/21**

- 4.1** This has been an unprecedented year. From March 2020 the Council has been managing the response to the Covid-19 Pandemic which resulted in two “lockdown” periods during the course of 2020/21.
- 4.2** On 16 March 2020 Group Leaders agreed that Standing Order 19.2 would be triggered for any emergency decisions during any period where Council and Committees were suspended. This was implemented from 24 March 2020 due to the suspension of the March Council meeting in response to the first “lockdown” which was announced on 23 March 2020. On 18 March 2020 the Community Planning Partnership launched the Kindness Midlothian Campaign. At 3.30pm on Friday 20 March 2020 the Council moved to critical service delivery which meant that the Council would carry out its three main statutory functions: caring for the vulnerable, co-operating with our resilience partners, and supporting economic recovery.
- 4.3** During the period from 24 March to 15 June 2020, the Corporate Incident Management Team met daily and the Chief Executive met weekly with the Leader and Depute Leader, Group Leaders and the Administration. In preparation for “lockdown” the Council significantly transformed its approach to digital devices and remote working solutions in order to continue to keep critical services moving during “lockdown” with many staff volunteering to undertake alternative duties.
- 4.4** Council meetings resumed on 16 June 2020. At this meeting the Midlothian Route Map was approved. To support this strategic recovery route map the Council have been working together with Nesta and the *Listen and Learn Report* was approved in September 2020. In addition Council also approved a new Economic Renewal strategy and an accelerated Capital programme, as part of the Council’s commitment to supporting Economic Recovery.

## **5 Update of the Council's Local Code of Corporate Governance**

- 5.1** The Council's Local Code of Corporate Governance has been updated during 2020/21 to reflect the changes in corporate governance during 2020/21. This was carried out through significant engagement with the Corporate Management Team (CMT) facilitated by the Chief Internal Auditor as part of HIA<sup>1</sup> role to be champion for sound governance. .
- 5.2** The 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 during meetings between August and November 2020. 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. 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.
- 5.3** The updated Local Code, 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 scrutinised and endorsed for approval by the Audit Committee on 9 March 2021 and was approved by Council on 23 March 2021.
- 5.4** 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.

## **6 Annual Assurance Process 2020/21**

- 6.1** 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.
- 6.2** The Audit Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.<sup>2</sup> Its Terms of Reference includes 'To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances'.

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<sup>1</sup> CIPFA 'the role of the head of internal audit in public service organisations' (2019)

<sup>2</sup> CIPFA guidance note for local authorities 'Audit Committees' (2018)

- 6.3** The CMT undertook a full self-evaluation of the Local Code of Corporate Governance in consultation with the Internal Audit function. This included the consideration of examples of evidence such as systems, processes and documentation to demonstrate compliance with the Framework's seven core principles of good governance, supporting principles and a range of specific requirements as set out in the Local Code. In addition, the self-evaluation identified areas of further improvement to enhance the effectiveness of internal control and governance arrangements and compliance against the Local Code.
- 6.4** Progress with implementation of actions regarding previously identified improvement areas of governance has also been evaluated.
- 6.5** The draft Annual Governance Statement 2020/21 at Appendix 1, in compliance with the CIPFA/SOLACE Framework, provides details of the Council's Governance Framework, the annual Review of Framework undertaken, Improvement Areas of Governance, and overall opinion.
- 6.6** It is the Chief Executive's opinion that, although there are areas of work to be completed for full compliance with the Local Code, the overall governance arrangements of the Council are considered adequate.
- 6.7** The draft Annual Governance Statement 2020/21 is informed by the assessment of compliance against the Local Code, written assurance statements from the Executive Directors and Chief Officers/Heads of Service, Internal Audit annual opinion and findings and recommendations, and comments and recommendations made by External Auditor and other external scrutiny bodies and inspection agencies.

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

### **7.1 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.

## **7.2 Digital**

There are no digital implications arising from this report.

## **7.3 Risk**

The review and update of the Local Code of Corporate Governance during 2020/21 ensures that internal controls, risk management and other governance arrangements reflect the arrangements in place on an evidence-basis. The draft Annual Governance Statement 2020/21 details areas where additional work would further enhance the internal control environment, or improve risk management and corporate governance arrangements.

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.

## **7.4 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.

## **7.5 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 (Reducing the gap in economic circumstances; Reducing the gap in learning outcomes; Reducing the gap in health outcomes; and Reducing the impact of climate change).

### 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 was engaged in the review and finalisation of the updated Local Code of Corporate Governance (approved by Council on 23 March 2021), and the update of the evidence to demonstrate good governance which reflects the current operating environment.

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

The annual self-assessment and the identification of improvement actions as evidenced through the draft Annual Governance Statement 2020/21 are designed to enhance the internal control environment, and risk management and corporate governance arrangements.

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.