

Draft Annual Governance Statement 2020/21**Introduction**

The Annual Governance Statement explains how the Council has complied with the terms of the CIPFA/SOLACE Framework (2016) for the year ended 31 March 2021, sets out the Council's governance arrangements and systems of internal control, and reports on their effectiveness. The statement also covers relevant governance matters as they affect those entities included as part of the Council's Group Accounts.

Due to the Covid-19 Pandemic, on 16 March 2020 Group Leaders agreed that Standing Order 19.2 be implemented for any emergency decisions required at the start of the Pandemic. This was in place from 24 March to 15 June 2020. Council and Committee meetings recommenced, using a virtual platform on 16 June 2020. During this 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, the Administration and with Group Leaders. All meetings were held using the virtual platform. All 19.2 decisions taken during this period were reported to Group Leaders weekly and were also reported to the first available meeting of Council on 16 June 2020.

Scope of Responsibility

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. The Council also has a statutory duty of Best Value under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement and performance, while maintaining an appropriate balance between quality and cost; and in making these arrangements and securing that balance, to have regard to economy, efficiency and effectiveness.

In discharging this overall responsibility, elected members and senior officers are responsible for putting in place proper arrangements for the governance of Midlothian Council's affairs and facilitating the exercise of its functions in a timely, inclusive, open, honest and accountable manner. This includes setting the strategic direction, vision, culture and values of the Council, effective operation of corporate systems, processes and internal controls, engaging with and, where appropriate, lead communities, monitoring whether strategic objectives have been achieved and services delivered cost effectively, and ensuring that appropriate arrangements are in place for the management of risk.

The system can only provide reasonable and not absolute assurance of effectiveness.

Framework for Good Governance

The overall aim of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) 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 Framework defines the seven core principles of good governance, namely:

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

The Council's Local Code of Corporate Governance, which is consistent with the principles and recommendations of the CIPFA/SOLACE Framework and the supporting guidance notes for Scottish authorities (November 2016), has been updated during 2020/21 to reflect the changes in corporate governance during 2020/21 and was approved by Council in March 2021.

The Council's Governance Framework

The key elements of the Council's governance arrangements, as set out in the Council's Local Code of Corporate Governance, include:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting 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 standing orders and scheme of delegation for officers, scheme of administration, and financial regulations.

Codes of conduct are in place for and define the high ethical values and standards of behaviour expected from elected members and officers to make sure that public business is conducted with fairness and integrity.

The Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. The Standards Committee is responsible for dealing with matters relating to conduct and ethical standards.

The Council seeks feedback from the public through its complaints and comments procedures for Corporate and Social Work (statutory) service areas, responds to the outcomes, as appropriate, and reports the results annually.

Professional advice on the discharge of statutory social work duties was provided during the year to the Council by the Head of Adult Health and Social Care (Chief Social Work Officer). The CSWO promotes values and standards of professional practice and acts as the 'agency decision maker' taking final decisions on a range of social work matters including adoption, secure accommodation, guardianship, etc. The CSWO reports annually on the statutory work undertaken, regulation and inspection, workforce issues and significant social policy themes.

B. Ensuring openness and comprehensive stakeholder engagement

Council meetings are held in public unless there are good reasons for not doing so on the grounds of confidentiality. At the onset of the pandemic, Council meetings were suspended. Standing Order 19.2 was implemented for any emergency decisions from 24 March to 15 June 2020. Council and Committee meetings recommenced on 16 June 2020 using a virtual platform.

Unless confidential, decisions made by Council or other Committees are documented in the public domain. All decisions are explicit about the criteria, rationale and considerations used. The impact and consequences of all decisions are clearly set out.

The Council seeks community views on a wide range of issues and undertakes regular consultation and engagement with citizens and service users.

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

The Council's vision, strategic objectives and priorities are set out in the Single Midlothian Plan developed through the Community Planning Partnership (of which the Council is a partner). The Council's Medium Term Financial Strategy and Service Plans outline how Midlothian Council will deliver its contribution to the Single Midlothian Plan.

Asset management planning and capital investment at a strategic level is structured to consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision.

The Council fully supports community empowerment and recognises the importance of building community capacity and volunteering as a key factor in building stronger, safer, and supportive communities.

Implications are considered during the decision making process within the standard report template covering Resources, Risk, Single Midlothian Plan and Key Priorities, Impact on Performance and Outcomes, Adopting a Preventative Approach, Involving Communities and Other Stakeholders, Ensuring Equalities, Supporting Sustainable Development, and IT issues.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Decision makers receive detailed information indicating how intended outcomes would be achieved together with the risks, financial and other implications associated with the proposals, by way of the compulsory sections of the Committee report template.

In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders. The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of the local community including the achievement of 'social value' (community benefits) through service planning and commissioning.

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

The roles of officers are defined in agreed job descriptions. Staff performance is reviewed on an annual basis in accordance with the relevant appraisal processes in place during the year.

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 Councillors.

The Elected Members Induction Programme is periodically supplemented by training events, seminars and briefings. Members appointed to certain committees have also received specific training related to the responsibilities on these committees e.g. licensing, planning, audit.

F. Managing risks and performance through robust internal control & strong public financial management

The Council has overall responsibility for directing and controlling the organisation. The Cabinet is the principal decision-making committee of the Council. The Performance Review and Scrutiny Committee is responsible for reviewing performance against policy objectives and commenting on decisions and policies and their impact.

The Council has a risk management policy and approach whose main priorities are the robust systems of identification, evaluation and control of risks which threaten the Council's ability to meet its objectives to deliver services to the public.

The Chief Officer Corporate Solutions (the Section 95 officer) is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.

The Council's system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability.

The Council has an approved strategy to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively.

A Medium Term Financial Strategy was approved by Council in June 2019.

Revenue and Capital Budget Monitoring reports are presented to the Council on a quarterly basis for monitoring and control purposes including the annual outturn. The Management Commentary in the Statement of Accounts provides financial and other performance information regarding the operation of the Council, its wider achievements and areas for development.

G. Implementing good practices in transparency, reporting, & audit to deliver effective accountability

The independent and objective audit opinion of the Chief Internal Auditor (Chief Audit Executive) is stated within the Internal Audit Annual Assurance Report 2020/21. This is based on work carried out by an in-house and shared services team in conformance with the Public Sector Internal Audit Standards to fulfil statutory Internal Audit provision.

The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies including associated Action Plans for improvement. The Audit Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

Quarterly Performance Reports were presented to the Performance, Review and Scrutiny Committee for monitoring the achievement of strategic priorities and key performance indicators.

The Annual Accounts and Report for 2020/21, setting out the financial position in accordance with relevant accounting regulations, are being prepared.

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

An annual review of the adequacy and effectiveness of its overall governance framework is carried out. The output is this Annual Governance Statement which is presented to the Audit Committee.

The Corporate Management Team undertook a full self-evaluation of the Local Code of Corporate Governance during the year 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, which was approved by Council in March 2021.

The review was further informed by assurances from: assessment of compliance against the Local Code; written assurance statements from the Executive Directors and Chief Officers/Heads of Service; Internal Audit annual opinion, findings and recommendations; External Audit, and comments and recommendations made by External Auditor and other external scrutiny bodies and inspection agencies.

Improvement Areas of Governance

The collective review activity outlined above has identified the following areas where improvement in governance arrangements can be made to enhance compliance with the Council's Local Code of Corporate Governance and to demonstrate Best Value.

The Council at its meeting on 20 August 2019 approved the "Best Value Assurance Report: Midlothian Council Action Plan", following its consideration by the Corporate Management Team on 17 July 2019, to address the 8 recommendations made in order to demonstrate Best Value.. A follow up Best Value Report was presented to Council in November 2020 and a further report is scheduled for June 2021.

In response to the Pandemic the Council has undergone significant transformation. In June 2020, Council approved the Midlothian Route Map. 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.

During 2020/21 the Council has also developed and sustained more constructive relationships between members and between members and officers. During the Pandemic the Chief Executive met weekly with the three group leaders. The cross party Education group is also a highly effective example of cross part working. In addition, the cross-party Business Transformation Steering Group is driving forward the medium term financial strategy and the Midlothian Route Map in response to the Pandemic, and new Transformation Boards are in place to support the delivery of this work .

Further action is required in respect of the remaining 4 recommendations;

- 1) The workforce strategy was approved by Council in December 2019. The Pandemic has resulted in significant changes to the workforce and the digital solutions now implemented. As a result workforce planning and digital by default approaches continue to be developed to support the Midlothian Route Map which includes a Remote Working Transformation Board which is chaired by the Chief Officer, Corporate Solutions. Workforce is also being addressed through the Hub and Spoke Board in moving towards local by default service delivery and the Digital First Board in support of 21st Century ways of working.
- 2) The Council is continuing to implement financial planning arrangements to address budget gaps, and a balanced budget was set for 2021/22, as approved by Council in February 2021, with a Corporate Solution proposed for 2022/23.
- 3) Progress has been achieved with elected members in light of the recommendation to exercise appropriate scrutiny and to develop Professional Development Plans. This is also supported by Seminars and Briefings which complement Council and Committee meetings. Further work is ongoing for members to fully take ownership for personal development plans and access relevant training opportunities.
- 4) Reviews are progressing under the new leadership to continue to build on positive elements of community empowerment. In 2021 Midlothian was awarded the IESE Certificate of Excellence for the Kindness Midlothian Campaign which was led by the Community Planning Partnership. Development of future models for working with communities in designing and delivering services is progressing with Nesta, a social innovation foundation, as outlined in the Listen and Learn report, particularly in relation to the transformation of Neighbourhood Services.

A formal report on the progress with the Best Value action plan is scheduled to be presented to Council in June 2021.

In addition, there are other areas for improvement actions (below) that are not specifically covered by the above in order to enhance compliance with the Council's Local Code of Corporate Governance:

- 5) Review and update the Financial Regulations and Financial Directives and associated guidance to reflect changes arising from organisation structures and systems and embed arrangements to support regular review and updating. Review and update the Scheme of Delegation, Standing Orders and Scheme of Administration, in preparation for the term of next Council and to ensure that they remain appropriate and reflect the current management structure. A cross party Standing Orders working group is currently in place.
- 6) Ensure that the action taken to strengthen resource capacity and skills in the Procurement function provides the necessary support to Service Managers, strengthens compliance with the Council's procurement strategy and procedures, and further improves contract monitoring to demonstrate delivery of value for money and to consistently ensure integrity and compliance with high ethical standards expected by the Council. A new Procurement Manager has been appointed in order to lead transformation of this service area and will take up post in September 2021.
- 7) Continue to refine quarterly monitoring reports for both revenue and capital to improve the robustness of scrutiny and transparency of performance against financial plans.
- 8) Enhance the Performance Management Framework through the full application of appropriate and proportionate self-assessment processes in all Council services as a self-evaluation tool to demonstrate achievement of Best Value.
- 9) Provide ongoing training for managers relating to their roles and responsibilities to apply procedures and practices with a focus on new or refreshed policies.
- 10) Ensure that the Strategic Boards, supporting the work of the Business Transformation Board and the cross-party Business Transformation Steering Group secure the required outcomes at the required scale and pace.
- 11) Review and refresh the risk management policy and guidance and develop a consistent approach to quarterly risk review and reporting processes at service/operational level.

In addition, Health Boards and their partner local authorities have a statutory duty under the Public Bodies (Joint Working) (Scotland) Act 2014 to review the integration scheme every five years. The review of the integration scheme has been delayed as a consequence of the pandemic and it has been agreed that the current scheme is continuing until the new scheme is agreed. Partners have agreed this, any governance issues with this (e.g. any expected changes that have not been able to be implemented) and the next steps and timeframe for completing this process.

Conclusion and Opinion on Assurance

The conclusion from the review activity outlined above and our opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of Midlothian Council's systems of internal control and governance. Although areas for further improvement have been identified, the annual review demonstrates sufficient evidence that the Council's Local Code of Corporate Governance is operating effectively and that the Council complies with that Local Code in most respects to meet its principal objectives. Systems are in place to regularly review and improve governance arrangements and the system of internal control.

Dr Grace Vickers
Chief Executive
mm 2021

Derek Milligan
Leader of the Council
mm 2021