

# Report

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>19 February 2020</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Good Governance Update</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Provide Committee with an update on the council's governance arrangements.

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendations:-

- (1) that the findings from the annual compliance check against the Local Code of Corporate Governance is noted;
- (2) that the updated Local Code of Corporate Governance is approved; and
- (3) that progress against the significant governance areas identified within the Annual Governance Statement 2018-19 is noted.

## 3. Background

3.1. Each year the council undertakes a comprehensive review of the governance arrangements that are required to support the council's financial and operational controls. The annual review of governance arrangements informs the Governance Statement which is included within the council's Annual Accounts.

3.2. On 1 April 2016, the Delivering Good Governance in Local Government framework came into effect and the corresponding guidance for Scottish Local Authorities was published in December 2016. This framework was established by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

3.3. To achieve good governance, the council should be able to demonstrate that its governance structures comply with the principles contained in the CIPFA/SOLACE framework (referred to as 'the framework' from here on) and should, therefore, develop and maintain a Local Code of Governance and governance arrangements reflecting these principles. A refreshed Local Code of Corporate Governance (referred to as "the Code" from here on) was developed and approved by the council on 16 May 2018 and compliance with the Code is reviewed as part of the Annual Review of Governance arrangements.

3.4. On 19 June 2019, the Risk and Audit Scrutiny Committee approved a revised reporting process for 2019-20 which is as follows:-

- **Governance Statement - Significant Governance Areas** – These are areas that have a significant impact on the council's governance arrangements. A position statement giving progress against these areas will be provided with the report on the review of the Local Code of Corporate Governance at the end of Quarter 2 and

at Quarter 4 with the Governance Statement to the Risk and Audit Scrutiny Committee.

- **Director's Statement of Assurance - Resource Level Areas for Improvement**  
These are actions approved by each Director in their Statement of Assurance. Progress will be monitored by Resources and reported through the Resource/Service Planning process at Quarter 2 and Quarter 4.

3.5. The purpose of this report is to advise the Risk and Audit Scrutiny Committee of the findings from the annual compliance check against the Local Code of Corporate Governance, the outcome of the review of the Code and the updated document and an update on progress against the significant governance areas highlighted in the Annual Governance Statement.

#### **4. Findings from the Annual Compliance Check Against the Code**

4.1. The council annually reviews the effectiveness of its governance arrangements. There are a few key sources of assurance that inform this review, however, the main purpose of the Annual Governance Statement is to explain how the council has complied with the principles in its Code and provide assurance as to how these are met.

4.2. The principles in the Code underpin the process for the annual review of governance arrangements and there is a strong golden thread running through the key documents in this process; the Resource/Corporate Self-Assessments; the Director's Statements of Assurance; and the Governance Statement.

4.3. The table at Appendix 1 has been extracted from the 2018-19 Annual Governance Statement and shows the significant elements of the systems and processes that comprise the council's governance arrangements and important changes/developments. This section of the statement shows how the council has complied with its Code.

4.4. The External Auditor in their Annual Report to the council highlighted the Annual Governance Statement as good practice stating that it provided a comprehensive account of its governance arrangements, referring to each of the CIPFA/SOLACE principles and how it complies with them.

#### **5. Annual Review of the Code**

5.1. As part of the evaluation of the annual review of governance arrangements, an annual review of the Code is carried out. The Code is updated with any changes to the approach the council uses to review its governance arrangements and it is compared with the corporate annual self-assessment and updated as required.

5.2. The revised Code is attached at Appendix 2 and has been amended as follows:-

- The introduction sets out the purpose and key elements of the Code. Updates have been made to sections 4 and 5 to provide additional information on how the Code fits in with the annual review of governance arrangements;
- Section 1 outlines the actions and behaviours that demonstrate good governance as set out in the National Framework. Changes here relate to the alignment of the principles contained in the Code with the council's values;
- Section 2 provides links to the policies, procedures and other documentary evidence that demonstrate the council's governance arrangements. This section has been updated with changes identified through the 2018-19 corporate governance self-assessment.

## **6. Significant Governance Areas**

- 6.1. Progress on the significant governance areas as at Quarter 2 (April to September 2019) which were highlighted in the Annual Governance Statement 2018-19 is attached at Appendix 3. Where the deadline has not been met or events have impacted upon the areas listed or further information has become available, the Quarter 3 position (as at 31 December 2019) has been added to Appendix 3 to provide the current position. Quarter 3 updates have been included for the Mid-Term Review of Procedural Documents, Budget Setting Challenges, the impact of Brexit upon the GDPR, Health and Social Care, Care at Home, and the Early Years Expansion.

## **7. Communication of the Code**

- 7.1. The Employee Code of Conduct was updated to reflect the new Local Code of Corporate Governance and issued to managers and employees during March 2019. The update also gives examples of what the principles mean to employees in practice.
- 7.2. The Good Governance Learn online course was last updated during 2017. A further review of the course will be undertaken by summer 2020 to ensure that the content is still current.
- 7.3. The revised Code is published annually alongside other key governance documents on the [governance information pages](#) on the council's website.

## **8. Employee Implications**

- 8.1. Officers will continue to attend the Good Governance Group and will commit time to review and monitor governance and assurance arrangements.

## **9. Financial Implications**

- 9.1. There are no financial implications directly associated with this report.

## **10. Climate Change, Sustainability and Environmental Implications**

- 10.1. There are no significant implications in terms of climate change, sustainability and environmental issues associated with this report.

## **11. Other Implications**

- 11.1. There are no significant risk issues associated with this report.

## **12. Equality Impact Assessment and Consultation Arrangements**

- 12.1. All Resources, through senior officers, are involved in the progress, monitoring and review of governance good arrangements and the development of the Annual Governance Statement and Improvement Plan.
- 12.2. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

29 January 2020

## **Link(s) to Council Objectives/Values/Ambitions**

- All Council Objectives and Values

**Previous References**

- Report on the “Good Governance Statement 2018-19 and Q4 Progress” on 19 June 2019

**List of Background Papers**

- None

**Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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## Local Code of Corporate Governance – 2018-19 Compliance Summary

**Principle A:** Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

**Links to council's values:**

- Accountable, effective, efficient and transparent; Working with and respecting others

**How we do this:**

- The council's values and objectives provide clear direction to councillors and employees and are embedded in all policies and processes.
- Training in the standards of behaviour required in line with the Code of Conduct for Councillors and the revised Local Code of Corporate Governance was delivered to all councillors. This is supplemented by role profiles which have a core accountability to maintain the highest standards of conduct. A revised Code of Conduct for Councillors has been published and will be the subject of further training during 2019.
- Standards of conduct and integrity were promoted through the national Code of Conduct for Councillors and by the Standards and Procedures Advisory Forum.
- The employee Code of Conduct which outlines standards of conduct and integrity was updated during March 2019 to reflect the revised Local Code of Corporate Governance. All breaches were investigated through the employee disciplinary process and the recommended actions taken.
- To support integrity in decision making, the council has several committee procedural documents including decision making protocols, standing orders on procedures and contracts and financial regulations. All declarations of interest made by councillors at meetings were recorded and were available for public inspection.
- There are a range of policies such as the Counter Fraud, Bribery and Corruption Policy Statement and Strategy, Fraud Response Plan, Whistleblowing for Third Parties and Confidential Reporting procedures that are used to support a culture of ethical behaviour amongst employees and councillors. These policies were revised during 2018 to ensure that they reflected best practice.
- The council responded to all reported cases concerning employees of suspected unethical behaviour and non-compliance with the law/policy.

**Principle B:** Ensuring openness and comprehensive stakeholder engagement

**Links to council's values:**

Accountable, effective, efficient and transparent; Fair, open and sustainable; Focused on people and their needs; Working with and respecting others

**How we do this:**

- All committee and forum meetings (except the Standards and Procedures Advisory Forum) were open to the public and agendas, reports and minutes were published on the council's website and copies were available for public inspection.
- A new [Petitions Committee](#) was introduced in June 2018 to consider matters raised through the council's petitions process and to help members of the public ensure that their views are heard.
- A new [Committee Management Information System](#) which allows members of the public to register and be notified when committee and forum papers are published was introduced during September 2018. The system also facilitates the creation of [online petitions](#) to increase the potential reach of signatories.
- To increase public engagement with the council, a new information website was launched during March 2019, and the council services website will be revised to include dedicated web pages for businesses.

- The council has approved a new approach to community participation and empowerment including the establishment of a Community Participation and Empowerment Team to increase stakeholder engagement and involvement in decision making processes.
- The first co-produced Community Planning Partnership Neighbourhood Plans with residents for the three pilot areas aimed at improving outcomes and reducing inequalities were published.
- The Community Engagement Co-ordination Group maintained an overview of partnership community engagement activity. The work of this group is underpinned by the Community Engagement Framework.
- The council carried out 284 surveys and engagement activities with residents, employees and partners, and through the council's Citizens Panel to inform policy and service delivery. Further information on our surveys is published on the [council's website](#).
- To ensure inclusivity and help shape service delivery, the council co-ordinates regular engagement with targeted groups of people such as young people, older people, people with disabilities, black and ethnic minorities, etc. Groups considered items such as the budget consultation, rent setting and performance reporting. A shared Lanarkshire British Sign Language Plan was developed with local Deafblind Communities and published in October 2018.
- The [Participation Requests](#) and [Community Asset Transfer](#) processes support communities to engage with the council to improve local outcomes.
- The new performance [Spotlights](#) have simplified how the council reports annually to the public on what has been achieved and the [20 public performance reports](#) provide a comprehensive overview of service performance. These demonstrate the council's commitment to continuous improvement and achieving Best Value; summarise the progress that the council has made in meeting its objectives and how it is performing locally and nationally.

**Principle C:** Defining outcomes in terms of sustainable, economic, social and environmental benefits

**Links to council's values:**

Accountable, effective, efficient and transparent; Fair, open and sustainable; Focused on people and their needs

**How we do this:**

- The council has a Capital Strategy that has a long-term outlook on future capital investment (up to 2027-28). This document is underpinned by a suite of Asset Management Plans which are aligned with the council's objectives and focus on creating an efficient, fit-for-purpose and sustainable core estate that delivers best value in terms of investment, running costs and environmental impact.
- The Council Plan 2017-22 and Community Plan 2017-27 have clearly defined economic, social and environmental outcomes to be delivered during the period.
- Annual Resource Plans which deliver the objectives of the Council Plan were reviewed and updated. These plans outline the outcomes and actions to be achieved within the year and reference linkages with other key strategic plans of the council and partnership plans.
- The Sustainable Development and Climate Change Strategy 2017-22 which sets out the council's strategic outcomes in terms of the council, environment and communities for sustainable development and climate change during the period was developed using the principles of the United Nation's Sustainable Development Goals.
- A new Sustainable Procurement Policy has been developed to ensure that sustainability principles are embedded in procurement processes and in recognition that our suppliers are important partners in the council's aim to become more sustainable.
- Strategic Environmental Assessments (SEAs) were completed for all relevant council led policies, plans and strategies developed during 2018-19 and the council was recognised for good practice in a national SEA research publication.

- A summary of the findings resulting from Equality Impact Assessments of the council's key decisions on service users, communities and businesses have been published on the council's website.
- Strategic decisions of the council have been subject to a Fairer Scotland Impact Assessment which considers how inequalities of outcome can be reduced.

**Principle D:** Determining the interventions necessary to optimise the achievement of the intended outcomes

**Links to council's values:**

Accountable, effective, efficient and transparent; Ambitious, self-aware and improving; Focused on people and their needs; Working with and respecting others

**How we do this:**

- There is a standard approach to identifying savings across the council. The council's efficiency programme is overseen by the Senior Management Team and approved by councillors.
- The Medium-Term Financial Strategy 2019-22 and Long-Term Outlook 2028-29 which are aligned with the council's objectives were updated during the year to reflect the latest internal and external influences. These plans set out the assumptions in terms of commitments, grant funding and efficiency requirement and demonstrate sound financial management and the ability to address future projected funding gaps.
- The annual budget setting consultations took place with members of the public, councillors, trade unions and employees to inform savings proposals. The budget is open to scrutiny and amendment by councillors until the approval of the final budget.
- The council's Performance Management Framework has ensured that progress against intended outcomes has been regularly reported to Management Teams; committees; and the Performance and Review Scrutiny Forum. Decisions and actions to address performance issues have been taken and monitored to ensure that they have been effective. A review of how performance is reported will take place during 2019.
- The Public Bodies (Joint Working Act) sets out those Adult Care Services that are delegated to the Integration Joint Board (IJB). These services continue to be operationally delivered by the council in line with the strategic direction set out in the Strategic Commissioning Plan and annual IJB Directions.
- The council considers the specification and achievement of community benefits, which focus on the health, economic, social and environmental wellbeing of the South Lanarkshire area, when awarding contracts.

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

**Links to council's values:**

Accountable, effective, efficient and transparent; Ambitious, self-aware and improving; Excellent employer; Focused on people and their needs; Working with and respecting others

**How we do this:**

- Senior Managers have overseen the annual scrutiny of the council's assets through the review of a suite of Asset Management Plans. The Corporate Asset Management Plan outlines priorities and provides an overview of how the council has performed in this area.
- The council's Scheme of Delegation ensured that committees, officers and statutory officers were clear on the decisions that could be made within their area of authority. This is supplemented by councillor's role profiles which outline the key purpose, specific and core accountabilities for each role.
- Training requirements were identified and learning, and development programmes were developed and offered to all councillors.
- The council continues to work with third party service providers and a range of partners to increase capacity to deliver its objectives. Strategic Partnerships include the Community Planning Partnership and the Glasgow City Region City Deal. The council's recent Best

Value Assurance Report concluded that the “council works well with a range of public-sector, business and academic partners to improve outcomes for citizens”.

- Each Resource reviews Workforce Plans and related action plans to better understand workforce capacity issues, further challenges and opportunities to ensure that resources are in the right place, at the right time and people have the right skills.
- The council recognises that skilled and motivated employees are a key asset. All employees have an annual performance appraisal which links to council values and a Personal Development Plan. The council offers a range of training interventions to support employee development.
- A revised approach to management and leadership development which aims to equip managers with the skills and knowledge to be more effective in their roles has been approved and will be relaunched during August 2019.
- In terms of the 2017-18 Local Government Benchmarking Framework results, the council is performing better than the Scottish Average levels for almost half of the indicators. The results were analysed, and an action plan was developed and will be monitored by the Senior Management Team.
- The council has a robust complaints process which is underpinned by national complaints handling standards. Complaints performance was regularly reported to Senior Management and committee and [learning from complaints](#) which is integral to this process is also published on the council's website.
- A range of policies and activities are in place to support the Health and Wellbeing of employees including physical and mental health.

**Principle F:** Managing risks and performance through robust internal control and strong public financial management

**Links to council's values:**

Accountable, effective, efficient and transparent; Ambitious, self-aware and improving

**How we do this:**

- The council has put in place comprehensive arrangements for identifying and managing significant risks. There was regular compliance monitoring of the council's Risk Management Strategy, Resource Risk Registers and Control Plans by the Risk Management Team, Council and Resource Risk Sponsors Groups.
- The Risk Management Strategy which clearly defines roles and responsibilities for councillors and employees will be subject to a full review during 2019-20.
- An external review of the council's Insurance Fund concluded that the fund was enough to meet known liabilities and that no further increase to the balance of the fund was required.
- The council's Internal Audit Service which complies with Public Sector Internal Audit Standards completed its annual programme of risk-based audits with an objective of providing an opinion on the adequacy and effectiveness of the council's risk management, governance and internal control arrangements. Where improvements were required, action plans were developed and monitored and where necessary follow-up audit work completed.
- The Information Governance Board supported by Internal Audit ensured regular scrutiny and the promotion of effective arrangements for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.
- The annual review of compliance with the council's Information Management Framework did not highlight any significant areas of concern.
- The system of internal financial control is based upon the Financial Regulations which set out the rules to ensure robust internal control over the council's finances. Control is maintained through regular management information, management supervision and a structure of delegation and accountability. External Audit of the council's accounts is robust and a “clean audit certificate” was issued for 2017-18.

- Through a well-established Performance Management Framework, the council has clearly defined processes in place for the identification, monitoring and reporting of its objectives to ensure continued effectiveness and the achievement of Best Value. Progress is monitored and reported regularly to both managers and councillors. This includes areas of under-performance and the related improvement actions.
- Guidance on Funding External Bodies and Following the Public Pound was developed to ensure a consistent approach across the council.
- The council's Charitable Trust Funds are being modernised with new constitutions to ensure that the Trusts operate in a manner designed to benefit communities.
- The Executive Director of Finance and Corporate Resources is a member of the council's Corporate Management Team and as such, is integral in all major decisions taken by the council, and in material matters which are submitted to councillors for decision. This involvement fulfils the expectation of CIPFA in terms of the role of the Chief Financial Officer.

**Principle G:** Fair, Open and Sustainable; Implementing good practices in transparency, reporting, and audit to deliver effective accountability

**Links to council's values:**

Accountable, effective, efficient and transparent; Ambitious, self-aware and improving; Working with and respecting others

**How we do this:**

- The Good Governance Group has completed the annual review of governance arrangements at resource level and in line with the CIPFA/SOLACE Delivering Good Governance Framework. Whilst there are no new significant issues to highlight in this statement, governance improvement actions have been identified and are included in Resource/Service Action Plans. Progress against actions including those highlighted as significant governance areas for action will be reported to the Senior Management Team and committee.
- The annual review of governance arrangements for the council's at arm's length external organisation (ALEO) and key external service providers has highlighted areas for improvement which are currently being progressed by the council and the respective organisations.
- All Directors completed their annual Statement of Assurance and did not identify any compliance issues.
- The council prepares and publishes an Annual Governance Statement which reflects on the adequacy and effectiveness of the council's governance arrangements. This is independently considered by External Audit and published with the Annual Accounts and separately on a dedicated [governance web page](#).
- The annual review of the Local Code of Corporate Governance was completed, and the revised Code was approved by committee and re-published.
- Committee meetings were held in public and all agendas, reports and decisions were published (except those exempted under the Local Government (Scotland) Act 1973) on the council's website.
- The Risk and Audit Scrutiny Committee considered the adequacy and effectiveness of the council's governance arrangements and internal control environment and approved the Annual Governance Statement and Accounts.
- Outcomes from internal audit activity were reported to the Senior Management Team and to the Risk and Audit Scrutiny Committee.
- Outcomes from external audit activity were reported to the Risk and Audit Scrutiny Committee.
- During 2018-19, the council were subject to a Best Value Assurance Review. The report concluded that the "council performs very well, benefits from strong leadership, clear direction and displays many of the characteristics of best value". The report also makes

recommendations for improvement and the council has responded by developing an action plan to deliver these.

- The council's Managing Risks in Partnership Guidance has been reviewed and now includes the CIPFA/SOLACE Delivering Good Governance Guidance and a checklist on embedding the principles of good governance in partnerships.