

# Report

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>9 December 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 2019-20 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, a governance framework, Delivering Good Governance in Local Government came into effect, and the 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 Local Code of Corporate Governance was developed and approved by the Council on 16 May 2018 and this is reviewed, updated and re-published annually. Compliance with the Code is also 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 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. This report advises 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 2019-20 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, namely the Resource/Corporate Self-Assessments, the Directors' Statements of Assurance and the Governance Statement.
- 4.3. The table at Appendix 1 has been extracted from the 2019-20 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.

#### **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 2019-20 corporate governance self-assessment.

## **6. Significant Governance Areas**

- 6.1. Progress on the significant governance areas highlighted within the Annual Governance Statement 2019-20 is attached at Appendix 3.

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

- 7.1. The Good Governance Learn on Line course was reviewed in late 2019 and republished in March 2020.
- 7.2. 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.
- 8.2. 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.

## **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 implications for climate change, sustainability or the environment in terms of the information contained within this report.

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

- 11.1. 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.
- 11.2. 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)**

11 November 2020

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

- All Council Objectives and Values

## **Previous References**

- Report on the "Good Governance Statement 2019-20 and Q4 Progress" on 18 June 2020

## **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 – 2019-20 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.
- Standards of conduct and integrity were promoted through the national Code of Conduct for Councillors and by the Standards and Procedures Advisory Forum.
- A revised Code of Conduct for Councillors was published and further awareness training was completed during May 2019. This is supplemented by role profiles which have a core accountability to maintain the highest standards of conduct.
- The employee Code of Conduct outlines standards of conduct and integrity and all breaches were investigated through the employee disciplinary process and the recommended actions taken.
- To support integrity in decision making, the council has a number of committee procedural documents including decision making protocols known as the Scheme of Delegation, terms of reference documents, standing orders on procedures and contracts and financial regulations.
- To ensure openness and transparency in decision making processes, all declarations of interest made by councillors at meetings were recorded and made available for public inspection.
- There is 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 reviewed and updated during 2019 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:**

- To ensure transparency and openness in decision making processes, 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 printed copies were available for public inspection.
- The [Committee Management Information System](#) allows members of the public to register and be notified when committee and forum papers are published. The system also facilitates the creation of [online petitions](#) to increase the potential reach of signatories.
- All committee/forum meetings are held in accessible venues and in the council's rural area, area committees are now held in different community venues across the area.
- The first public meetings of the Petitions Committee took place during 2019.
- The work of the council and key information from our partners is communicated regularly using a range of communication channels. The [South Lanarkshire View](#) pages on the council website provide a dedicated source of local information and news for communities.

A variety of social media channels are used to communicate updates and share information.

- The council's Community Engagement Team continues its work to increase stakeholder engagement and involvement in decision making processes through the development of a further four new Community Planning Partnership Neighbourhood Plans which are aimed at improving outcomes and reducing inequalities.
- 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 350 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.
- The [Participation Requests](#) and [Community Asset Transfer](#) processes support communities to engage with the council to improve local outcomes.
- The council's performance [Spotlights](#) which now link to additional performance information have simplified how the council reports annually to the public on what has been achieved and the [18 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.
- The council's Digital Inclusion Strategy 2020-23 sets out the actions that the council will take to assist those people who are unable to get online to access services digitally.
- A comprehensive range of information on how the council operates is available on the website. The [Freedom of Information Publication Scheme](#) ensures that key information about how the council works is accessible to the public.

**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 Climate Change and Sustainability Committee was introduced to oversee the delivery of the Climate Change and Sustainable Development Strategy and the council's transition to net-zero greenhouse gas emissions.
- Sustainability principles are embedded in procurement processes and in recognition of the importance of our suppliers in achieving 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 2019-20 and the council was recognised for good practice in a national SEA research publication.
- The proposed [South Lanarkshire Local Development Plan 2](#) is currently undergoing examination by a Reporter appointed by Scottish Ministers. The spatial strategy of the plan is to encourage sustainable economic growth and regeneration, a move towards a low carbon economy, protect the natural and historic environment and mitigate against the impacts of climate change.
- 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. Frameworks are in place for holding discussions with key stakeholders. Savings achievements are monitored monthly and reported to the Senior Management Team quarterly.
- The Financial Strategy which is aligned with the council's objectives was updated during the year to reflect the latest internal and external influences. This plan sets out the assumptions in terms of commitments, grant funding and efficiency requirement and demonstrates sound financial management and the ability to address projected funding gaps.
- The annual budget setting consultations took place with members of the public, councillors, trade unions and employees to inform savings proposals. Work took place during 2019 to widen the reach of the consultation with members of the public. 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 Team, 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.
- The review of performance reporting during 2019 has resulted in a simplified process with the number of measures reported in Resource Plans being reduced by 21% and the number reported against the Council Plan, Connect by 36%.
- 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. Service Asset Management Plans have been developed in line with CIPFA guidance and these feed into the Corporate Asset Management Plan which outlines priorities and provides an overview of how the council has performed in this area.
- The council's Scheme of Delegation and Terms of Reference 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. These documents were updated and approved by Committee during 2019-20.
- Training requirements were identified and learning and development programmes were developed and offered to all councillors.
- The council continues to work with a range of public sector, business and academic partners to improve outcomes for those living and working in South Lanarkshire. Strategic Partnerships include the Community Planning Partnership and the Glasgow City Region City Deal.
- 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-wide Workforce plan 2020-23 was reviewed during 2019.
- The council recognises that skilled and motivated employees are a key asset. All employees have an annual performance appraisal which links to the council values and a Personal Development Plan. The council offers a range of training interventions to support employee development.
- A survey of all council employees was undertaken during 2019 and the feedback will be used to develop improvement plans. 77% of those who responded said that they were generally satisfied with their job.
- In terms of the 2018-19 Local Government Benchmarking Framework results, the council is performing better than the Scottish average levels for almost half of the indicators. Comparisons against other councils showed a similar result. The results were analysed and an action plan was developed and will be monitored by the Senior Management Team.
- The council completed its annual self-assessment programme and progress of improvement activity was reported to the Senior Management Team and the Performance and Review Scrutiny Forum.
- 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, evaluating and controlling significant risks which threaten the council's ability to meet its objectives to deliver services to the public. There is also a robust process in place for compliance monitoring of the council's Risk Management Strategy, Resource Risk Registers and Control Plans.
- A full review of the Risk Management Strategy which clearly defines roles and responsibilities for councillors and employees was completed during 2019-20. A number of changes were made to reflect national best practice.
- 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 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 2018-19.
- 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.
- The new South Lanarkshire Charitable and Educational Trusts were approved by OSCR during December 2019 and arrangements are being made to transfer the assets. The new constitutions will ensure that these Trusts operate in a manner designed to benefit communities.
- The Executive Director of Finance and Corporate Resources is a member of the council's Senior 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. Governance improvement actions have also 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.
- In the 2019 annual audit report, the external auditor concluded that the council in its annual governance statement discloses the extent to which the organisation complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016 published by CIPFA and SOLACE and highlighted this approach as good practice.
- All Directors completed their annual Statement of Assurance and one Director identified 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 governance arrangements for the council's at Arm's Length External Organisation (ALEO) and key external service providers has not highlighted any areas for improvement.
- The annual review of the Local Code of Corporate Governance was completed and the revised Code was approved by committee and re-published on the council's website.
- Committee meetings were held in public and all agendas, reports and decisions were published (except those exempt 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 and inspection activity is reported to the appropriate committee.
- The council's latest Best Value Assurance Review concluded that the "council performs very well, benefits from strong leadership, clear direction and displays many of the characteristics of best value". Significant progress has been made against the improvement action plan and progress has been reported to the Senior Management Team and the Performance and Review Scrutiny Forum.
- During 2019-20, the council were the subject of a joint inspection of services for children and young people in need of care and protection. The outcomes from the report have been reviewed and an improvement plan has been developed for implementation.