

**REPORT TO:** Audit & Governance Committee

**MEETING DATE:** 21 June 2022

**BY:** Executive Director for Council Resources

**SUBJECT:** Council Improvement Plan 2021-2022 and Corporate Governance Self-evaluation Update

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## **1 PURPOSE**

- 1.1 To present Audit and Governance Committee with an update on the Council Improvement Plan 2021-2022 and Corporate Governance Self-evaluation.

## **2 RECOMMENDATIONS**

- 2.1 That the Committee notes the progress in achieving the Council Improvement Plan 2021-2022 as detailed in the update report (Appendix 1).
- 2.2 That the Committee notes the update on Corporate Governance Self-evaluation and approves the Annual Governance Statement to be included in the Council's 2021/22 Annual Accounts (paragraph 3.11).

## **3 BACKGROUND**

- 3.1 The Council Improvement Plan 2021-2022 was approved by Council in February 2021. The 16 actions in the Plan include seven actions carried forward from the 2018-2020 Plan and nine new actions identified in the 2020 Corporate Governance Self-Evaluation and the auditors' 2019/20 Annual Audit Report (October 2020).
- 3.2 The update report (Appendix 1) outlines progress that has been made in completing the actions in the Improvement Plan. The update report includes a new column – Outcome/Objective – which shows how the action relates to the Council Plan themes and the objective.
- 3.3 Since March 2020 the council has been in Business Continuity mode in response to the COVID-19 pandemic, which has necessitated focus on

business critical activity and reduction in non-critical activity. This has meant that progress in completing actions in the Improvement Plan have been delayed and consequently the deadline for completion of several actions has been extended.

- 3.4 The Council adopted the principles of Corporate Governance based on the CIPFA / SOLACE guidance in 2010, subsequently updated through the new 'delivering good governance' framework in 2016. This is based on Section 3.7 of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom which governs the preparation and publication of an Annual Governance Statement. The framework defines the principles that should underpin the governance of each local government organisation.
- 3.5 To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the framework. The Framework, which forms the basis for a corporate self-evaluation exercise has seven core principles:
  - 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 optimize the achievement of the intended outcomes
  - E: Developing the council's capacity, including the capability of its leadership and the individuals within it
  - F: Managing risks and performance through robust internal control and strong public financial management
  - G: Implementing good practices in transparency, reporting, and audit, to deliver effective accountability
- 3.6 These seven core principles are supported by 21 sub-principles/factors, each of which has a set of behaviours and actions against which good governance in practice can be assessed. Any recommendations for improvement arising from the self-evaluation are included in the annual Council Improvement Plan and form the basis of the Annual Governance Statement which is included in the council's Annual Accounts.
- 3.7 A self-evaluation exercise based on this framework was undertaken by the Council Management Team in May 2021, testing the council's governance arrangements against the Framework. The self-evaluation drew on extensive evidence from council policies and practices and also from the Best Value Assurance audit undertaken by Audit Scotland in 2018. Assurance was also provided by the external auditors' reviews of internal controls in financial systems and audits which did not identify any significant governance or control weaknesses.

- 3.8 The self-evaluation scored 18 of the 21 factors as Very Good and the remaining three as Good. Consequently the self-evaluation did not identify any additional areas for further development and improvement, beyond those that were already included in the current Council Improvement Plan. Importantly however the Council re-affirmed that it will continue to review and benchmark its practices and policies to build on existing good practice and improvement actions already being implemented, in order to ensure the Council continues its progress from continuous improvement through to excellence.
- 3.9 Given the positive self-evaluation carried out in 2021 and the fact that the Council has remained in Business Continuity mode throughout 2021 and 2022, a formal corporate governance self-evaluation has not been carried out to date in 2022.
- 3.10 A refreshed self-evaluation process for all council services based on the Public Sector Improvement Framework (PSIF) is being rolled out across all services starting with a corporate self-evaluation involving the Council Management Team in autumn 2022. The results of this self-evaluation together with the Auditors report on the Council's 2021/22 Annual Accounts and any recommendations from the COVID-19 structured de-brief and lessons learned exercise to be carried out in late June will be reflected in a new Council Improvement Plan for 2023-24.
- 3.11 Therefore it is proposed that the following the Annual Governance Statement to be included in the Council's 2021/22 Annual Accounts should be as follows.

*The last review of corporate governance carried out in 2021 found that East Lothian Council continues to have good governance and control arrangements in place across the seven corporate good practice principles.*

*Since March 2020 the Covid-19 emergency provided a serious and prolonged test for the Council's risk management and business continuity frameworks. The Business Continuity Plans that were invoked as the UK and Scottish Governments declared the COVID-19 public health emergency on 23rd March 2020 have provided the basis for the Council's response to the emergency. The Council's ELC values – Enabling, Leading and Caring – and the East Lothian Way behaviours have underpinned the Council and council staff response.*

*The Council has implemented amended governance arrangements, significant investment, new ways of decision-making, leadership and implementation including virtual meetings, conference calls, and systems remote access and authorisation processes. Lessons learned have been continually captured throughout the year with process improvements implemented. Recovery processes have continued to gather pace and the Council published a COVID 19 Recovery and Renewal Plan in 2021.*

*Governance arrangements are currently being reconsidered and developed following the Election of new Council members in 2022 and a Council Plan and Financial Strategy are being developed for 2022-2027.*

*The last Council governance self-evaluation review against the CIPFA/SOLACE Delivering Good Governance in Local Government*

*Framework 2016 which was carried out in 2021 did not identify any additional areas for further development and improvement. Importantly however the Council re-affirmed that it will continue to review and benchmark its practices and policies to build on existing good practice and improvement actions already being implemented, in order to ensure the Council continues its progress from continuous improvement through to excellence.*

*A refreshed self-evaluation process based on the Public Sector Improvement Framework (PSIF) is being rolled out across all services starting with a corporate self-evaluation involving the Council Management Team in autumn 2022. The results of this self-evaluation together with the Auditors report on the Council's 2021/22 Annual Accounts and any recommendations from the COVID-19 structured de-brief and lessons learned exercise to be carried out in late June will be reflected in a new Council Improvement Plan for 2023-24.*

#### **4 POLICY IMPLICATIONS**

- 4.1 The Council Improvement Plan 2021-2022 assists the Council in demonstrating that it is achieving Best Value. It provides the necessary focus to improve key areas of the Council at a corporate level, thus aiding delivery of the Council Plan. Moreover, it supports the Council in its striving for continuous improvement, to continue improving the quality and delivery of its services and to meet Council Plan objectives.

#### **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

#### **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – none.
- 6.2 Personnel – none directly, although certain actions within the Council improvement Plan are likely to require the commitment of staff resources.
- 6.3 Other – none.

#### **7 BACKGROUND PAPERS**

- 7.1 Corporate Governance Self-evaluation and Annual Governance Statement 2021; Audit and Governance Committee, 15<sup>th</sup> June 2021

**Appendix 1: Council Improvement Plan 2021-2022 Update Report (April 2022)**

<b>AUTHOR'S NAME</b>	Paolo Vestri
<b>DESIGNATION</b>	Service Manger Policy, Improvement & Partnerships
<b>CONTACT INFO</b>	<a href="mailto:pvestri@eastlothian.gov.uk">pvestri@eastlothian.gov.uk</a> 01620 827320
<b>DATE</b>	9 June 2022

## Appendix 1: Council Improvement Plan 2021-2022 Update Report (April 2022)

### Council Improvement Plan 2021 – 2022 Update April 2022

	ACTION	OUTCOME/ OBJECTIVE	LEAD OFFICER / DEADLINE	UPDATE
1	<p>Implement the Council Workforce Plan 2018-2022. The implementation plan has 48 actions within 7 workstreams</p> <p>Source: 2018-20 Improvement Plan and 2020 Corporate Governance Self-evaluation</p>	<p>Growing our Capacity – sustain a skilled, flexible, high performing and motivated workforce; support and initiate transformational change; build and sustain leadership and management capacity.</p>	<p>SM Policy Improvement and Partnerships</p> <p>March 2022 - Updated to September 2022</p>	<p>Over half of the actions in the plan have been completed and progress has been made on the remaining actions.</p> <p>The Plan is being revised to take account of the impact of the COVID-19 emergency.</p> <p>A new Workforce plan will be presented to Council in autumn 2022</p>
2	<p>Continue to embed transformational change across the Council and ensure it delivers expected improvement and benefits within planned timeframes, prioritising projects that are most likely to lead to major change and significant benefits</p> <p>Source: 2018-20 Improvement Plan</p>	<p>Growing our Capacity – deliver transformational change and harness the opportunities technology offers in the provision of services</p>	<p>Chief Executive</p> <p>Ongoing</p>	<p>Transformation principles are being embedded across all services. Key Transformation projects (including the On-line HR/ Payroll system and the On-line Customer Portal) are being completed and capacity has been created to support the delivery of major change with significant benefits, including Assets Rationalisation and Housing Management System.</p>
3	<p>Continue to focus on improving education performance for all children and young people in East Lothian</p>	<p>Growing our People – reduce the attainment gap and raise the attainment and</p>	<p>Head of Education</p> <p>Ongoing</p>	<p>The council has adopted the <a href="#">Education Service Improvement Plan</a> and all schools continue to focus on improving attainment and on School Improvement Plans</p>

	Source: 2018-20 Improvement Plan	achievement of our children and young people		
4	In order to ensure the council continues to have relevant governance policies, guidance, regulations and internal controls that are reviewed and kept up-to-date, a register of such documentation will be prepared and reviewed annually  Source: 2018-20 Improvement Plan	Growing our Capacity – meet the council’s commitment to the principles of openness, accountability and transparency	SM Policy Improvement and Partnerships / SM People and Governance  December 2021 - Updated to December 2022	This project was been on hold as this area of work is not deemed critical within Business Continuity Plans.  It will be recommence after recovery from the COVID-19 emergency.
5	Establish formal mechanism for evaluating partnership working and the effectiveness of partnerships based on an agreed partnership self-evaluation framework  Source: 2018-20 Improvement Plan and 2020 Corporate Governance Self-evaluation	Growing our Capacity – review of the governance arrangements of the East Lothian Partnership	SM Policy Improvement and Partnerships  December 2021 - Updated to December 2022	The East Lothian Partnership was to undertake a self-evaluation exercise drawing on frameworks developed by Audit Scotland, the Improvement Service and EFQM in Spring 2020. This project was put on hold as this area of work is not deemed critical within Business Continuity Plans.  It will be recommence after recovery from the COVID-19 emergency.
6	The council will explore the development of a Community Charter in partnership with civic society and the communities and citizens of East Lothian  Source: 2018-20 Improvement Plan and 2020 Corporate Governance Self-evaluation	Growing our Communities – extend community engagement and decision making and increase community and individual resilience	Chief Executive  December 2021 - Updated to December 2022	Work commenced on developing the Community Charter but was delayed in order to reflect the development of the Climate Change Charter following the adoption of the Climate Change Strategy. Work was then put on hold as this area of work is not deemed critical within Business Continuity Plans.  Further work is required on the Charter to reflect the extensive community engagement

				of our local resilient community groups in responding to the COVID-19 emergency
7	<p>The Council will ensure it meets any additional requirements to further develop community participation in decision-making arising from the Local Governance Review</p> <p>Source: 2018-20 Improvement Plan</p>	<p>Growing our Communities – extend community engagement and decision making and increase community and individual resilience</p>	<p>Chief Executive</p> <p>Ongoing</p>	<p>Progress with the Review was put on hold by the Scottish Government and COSLA.</p> <p>Any developments in the Review will be reported to Council.</p>
8	<p>Continue to review reporting and monitoring of expenditure against budgets and recovery plans in order to deliver outcomes within agreed budgets</p> <p>Source: 2018-20 Improvement Plan</p>	<p>Growing our Capacity – maintain the current rigorous approach to controlling expenditure, ensuring that that it continues to 'live within its means' by operating as efficiently as possible</p>	<p>Head of Finance</p> <p>Ongoing</p>	<p>Quarterly financial monitoring reports to the council provide updates on expenditure against budgets and any recovery plans that may be required to ensure the council delivers outcomes within agreed budgets.</p>
9	<p>The roll out and adoption of the Staff Charter will be monitored and the Charter will be reviewed</p> <p>Source: 2018-20 Improvement Plan</p>	<p>Growing our Capacity – sustain a skilled, flexible, high performing and motivated workforce</p>	<p>SM Policy Improvement and Partnerships</p> <p>March 2022 - Updated to December 2022</p>	<p>The Staff Charter will be reviewed following adoption of the new Workforce Plan (see Action 1)</p>
10	<p>The Council should review how the Improvement to Excellence framework and new Council Plan performance reporting is operating</p> <p>Source: 2018-20 Improvement Plan and 2020 Corporate Governance Self-evaluation</p>	<p>Growing our Capacity – meet the council's commitment to the principles of openness, accountability and transparency</p>	<p>SM Policy Improvement and Partnerships</p> <p>December 2021 - Updated to October 2022</p>	<p>The Council will review how the Improvement to Excellence framework and new Council Plan performance reporting is operating in Autumn 2022</p>



11	It is important the council ensures its performance reports are improved to that it is easier for elected members and the public to evaluate performance across equalities  Source: 2019/20 Annual Audit Report	Growing our Capacity – meet the council's commitment to the principles of openness, accountability and transparency	SM Policy Improvement and Partnerships  October 2021 – Updated to October 2022	The Equality Plan 2021-2025 was approved by Council in October 2021.  A new set of Poverty and Equality indicators is being developed to monitor progress with implementing the Equality Plan and Poverty Plan objectives and actions.
12	The council's reporting and monitoring against its improvement plan could be further improved to update members on what has been achieved through its improvement actions  Source: 2019/20 Annual Audit Report	Growing our Capacity – meet the council's commitment to the principles of openness, accountability and transparency	SM Policy Improvement and Partnerships  October 2021 – Updated to October 2022	The update report includes a new column – Outcome/ Objective – which shows how each action relates to the Council Plan themes and the objective.  The new Council Improvement Plan that will be adopted in autumn 2022 will include more detail on the objective of each action and how progress/ achievement will be measured.
13	Refresher training on the Code of Conduct will be provided to elected members in 2020/21  Source: 2020 Corporate Governance Self-evaluation	Growing our Capacity – ensure elected members meet the personal values and principles of public service as set out in the Councillors Code of Practice	SM People and Governance  December 2021 – Updated to June 2022	The 2022 elected members' induction programme included a session on the Code of Conduct.
14	Undertake a review of the arrangements for dealing council business arrangements when the council's Business Continuity Plan has been invoked  2020 Corporate Governance Self-evaluation	Growing our Capacity – meet the council's commitment to the principles of openness, accountability and transparency	Head of Corporate Resources  December 2021 – Updated to December 2022	This will form part of the on-going review of Business Continuity arrangements following the COVID pandemic.
15	Monitor the implementation of the Climate Change Strategy Action Plan	Growing our Communities –	Head of Development	Implementation of the Climate Change Strategy Action Plan is being carried out by

	2020 Corporate Governance Self-evaluation	tackle the climate emergency and reach net zero by 2045	Ongoing	the Climate Change Planning Group and reported to Council annually.
16	Review and take action to minimise any negative impact of the COVID19 emergency on the council's revenue and capital budgets  2020 Corporate Governance Self-evaluation	Growing our Capacity – maintain the current rigorous approach to controlling expenditure, ensuring that that it continues to 'live within its means' by operating as efficiently as possible	Head of Finance  Ongoing	Quarterly financial monitoring reports to the council provide updates on expenditure against budgets and on the impact of the COVID response on the council budget. The Council's Financial Strategy and revenue and capital budgets take account of, and try to minimise any negative impacts of the COVID-19 emergency.