

REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 11 June 2024

BY: Chief Executive

SUBJECT: Corporate Governance Self-evaluation and Annual Governance Statement 2024

1 PURPOSE

1.1 To advise Members of the results of the Corporate Governance Self-evaluation 2024.

2 RECOMMENDATION

Committee is asked to:

2.1 Note the results of the self-evaluation carried out using the Framework (Appendix 1) and consider whether any additional improvement actions should be added.

3 BACKGROUND

3.1 The Council adopted the principles of Corporate Governance based on the CIPFA / SOLACE guidance in 2010. CIPFA / SOLACE published a 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. 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.

3.2 The Framework 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

3.3 These seven core principles are supported by 21 sub-principles each of which has a set of behaviours and actions against which good governance in practice can be assessed.

3.4 A self-evaluation exercise based on this framework has been undertaken by the Council Management Team, testing the Council's governance arrangements against the Good Governance Framework. The self-evaluation has drawn on extensive evidence from Council policies and practices and from the 2023 Audit Scotland Best Value thematic work.

3.5 During 2022/23 external audit work, Audit Scotland identified several control weaknesses in relation to income and non-pay expenditure and as a result did not place reliance on these internal controls as part of their audit of the annual accounts. All recommendations made have now been implemented. The 2022/23 Annual Audit report from Audit Scotland had some significant key messages in relation to financial management and sustainability including the following:

- The Council continues to face significant challenges to identify and agree the required future savings to balance its budget.
- The Council should review the underlying reasons for reprofiling of the capital programmes to identify opportunities to improve the project management and budget setting procedures in place.
- The Council faces unprecedented financial challenges and further work is required to find comprehensive plans to address these and deliver a financially sustainable operating model.
- The Council needs to strengthen their digital strategy, cyber security, business continuity management and associated policies to address prior year audit recommendations.

- 3.6 The self-evaluation (Appendix 1) provides evidence to show how the council complies with each of the sub-principles. A self-evaluation score from 1 – 6, where 1 = Unsatisfactory (major weaknesses), and 6 = Excellent (outstanding, sector leading), has been given against each sub-principle.
- 3.7 The Council Improvement Plan 2021-2022 was approved by Council in February 2021. The 16 actions in the Plan included 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). The last update report on the Plan considered by the Audit and Governance Committee in February 2023 showed that nine actions in the Plan had been completed, four were ongoing and three have been carried forward into the 2024 Council Improvement Plan which was approved by Council in February 2024.
- 3.8 The Council has adopted a new self-evaluation framework, replacing How Good is Our Council Service with the Public Service Improvement Framework (PSIF). This was piloted by the Council Management Team (CMT) in early 2023. The CMT's PSIF exercise resulted in seventeen recommended actions under four objectives:
- Clarify the budget challenges facing the Council in order to develop a cross-service approach to identify savings.
 - Delivery and accelerating work around the Council's asset review and rationalisation strategies post-pandemic to ensure they are linking to longer-term plans and the Council's key priorities.
 - Look at ways to ensure that driving transformational change is embedded across the Council to support the Council priorities and plans.
 - Consider how the Council makes better use of staff feedback to drive change and improvement.
- 3.9 The 2024 Corporate Governance self-evaluation has found that the Council continues to comply well with the principles of the framework. Most sub-principles have been scored as 5 (very Good – major strengths) and the remainder as 4 (Good – important strengths with areas for improvement).
- 3.10 The self-evaluation has not identified any additional improvement actions over and above those already included in the 2024 Council Improvement Plan. However, the Council is committed to Continuous Improvement and as well as ensuring that the Plan's improvement actions are concluded as planned over the next year it will continue to review its policies and practices.
- 3.11 The Council has a duty under the Scottish Regulator's Strategic Code of Practice to publish an annual statement on compliance with the Code (arising from section 5 of the Regulatory Reform (Scotland) Act 2014). The Council fulfils this requirement by incorporating a statement of compliance within the Corporate Governance self-evaluation.

4 POLICY IMPLICATIONS

4.1 The corporate governance code and self-evaluation framework detailed in Appendix 1 complement the Council's *How Good is Our Council* self-evaluation. The corporate governance self-evaluation fulfils the Council's commitment to assess whether it meets the principles and requirements set out in the guidance on Delivering Good Governance in Local Government. The addition of the summary of the self-evaluation to the Internal Financial Control statement will fulfil the remit to include an Annual Governance Statement in the Council's Annual Accounts.

5 INTEGRATED IMPACT ASSESSMENT

5.1 This report is not applicable to the wellbeing of equalities groups and an Integrated Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial – none

6.2 Personnel – none

6.3 Other – none

7 BACKGROUND PAPERS

7.1 Appendix 1: Corporate Governance Self-Evaluation 2024

7.2 Delivering Good Governance in Local Government Framework; CIPFA/SOLACE, 2016

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DATE	31 May 2024

Appendix 1: Corporate Governance Self-Evaluation 2024

[Evaluation scored on a scale of 1 – 6: where: 1 = Unsatisfactory – major weaknesses; 2 = Weak – important weaknesses. 3 = Adequate – strengths just outweigh weaknesses; 4 = Good – important strengths with areas for improvement; 5 = Very Good – major strengths; 6 = Excellent – outstanding, sector leading]

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

A.1 Behaving with integrity	
A.1.1 Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation	
A.1.2 Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)	
A.1.3 Leading by example and using the above standard operating principles and values as a framework for decision making and other actions	
A.1.4 Demonstrating, communicating and embedding standard operating principles and values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively	
Evidence	Evaluation
<ul style="list-style-type: none"> • Council Standing Orders and Schemes of Administration and Delegation and are reviewed regularly or when required – last review took place in 2023 and revised Standing Orders were approved by Council, 25th April 2023 • Councillors’ Code of Conduct (and members training on the Code), and Officers’ Code of Conduct included in Scheme of Administration. Elected members made aware of Code of Conduct as part of the members induction held following May 2022 council elections • Council Values and East Lothian Way Behaviours understood by senior management and staff – included as integral parts of the 2022-27 Council Plan • Policies and procedures in place for key activities including Procurement, Treasury Management, Complaints, Health and Safety and HR • External Audit and Internal Audit audits and reports provide assurance, and the council responds positively to any recommendations arising from external and internal audits. 	5. Very Good

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| <ul style="list-style-type: none">• The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, concluded that:<ul style="list-style-type: none">○ <i>The Council's leadership have been effective in setting out a clear vision and priorities in the Council Plan 2022-27.</i>○ <i>The Council's vision is aligned to the community plan priorities.</i>○ <i>The Council's leadership has been effective in setting clear priorities but now needs to demonstrate sustainable plans for delivering them.</i>• In February 2024 the Council approved a reprioritisation of the Council Plan following multiple changes in risk factors and this translated into three interlinked, complementary priorities which are aligned to the Council Plan's overarching and long-term thematic objectives.• Council adopted an Improvement Plan to respond to the recommendations arising from the Best Value Assessment and R4E assessment. The Improvement Plan was last reviewed, updated and approved by the Council in February 2024 to take account of any uncompleted actions and a further update is being presented to Audit and Governance Committee in June 2024. | |
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A.2 Demonstrating strong commitment to ethical values	
A.2.1 Seeking to establish, monitor and maintain the organisation's ethical standards and performance	
A.2.2 Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture	
A.2.3 Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	
A.2.4 Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation	
Evidence	Evaluation
<p>As above and in addition:</p> <ul style="list-style-type: none"> • Whistleblowing Policy updated and approved by Cabinet, September 2022 • Staff Code of Conduct approved by Cabinet in March 2020 • Customer Feedback policy and procedure • Contract conditions and monitoring • Council values and behaviours are embedded in the PRD process and guidance has been reviewed to make it easier to use and relevant to all staff and reissued to managers. 	5. Very Good

A.3 Respecting the rule of law	
A.3.1 Ensuring members and staff demonstrate a strong commitment to the rule of law as well as adhering to relevant laws and regulations	
A.3.2 Creating the conditions to ensure that the statutory officers, other key post holders, and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirement	
A.3.3 Striving to optimise the use of the full power available for the benefit of citizens, communities and other stakeholder	
A.3.4 Dealing with breaches of legal and regulatory provisions effectively	
A.3.5 Ensuring corruption and misuse of power are dealt with effectively	
Evidence	Evaluation
<p>As A.1 and A.2 and in addition:</p> <ul style="list-style-type: none"> • Statutory Officers job outlines included in Scheme of Administration • Statutory Officers are members of CMT or SMT and attend relevant Council, Cabinet and Committee meetings • Internal Audit used to investigate any alleged incidents of breaches of legal and regulatory provisions, corruption or misuse of power • Elected members have received training from the Standards Commission on the Code of Conduct • A comprehensive elected members' induction programme was held following the May 2022 Council elections. The programme included a session on the Councillors Code of Conduct. 	5. Very Good

PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

B.1 Openness	
B.1.1 Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness	
B.1.2 Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided	
B.1.3 Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear	
B.1.4 Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action	
Evidence	Evaluation
<ul style="list-style-type: none"> • Compliance with the Freedom of Information Act and Data Protection Act as demonstrated in the Information Governance Annual report to the March 2024 Audit and Governance Committee meeting • Council, Cabinet and Committee meetings held in public • Agendas for meetings, minutes and reports published on the Council website. By exception, some items are held in private and the reasons for this are documented • Press releases and social media used to inform the public of Council policies and decisions • Community Asset Transfer and Participation Request processes in place with open and transparent decision making which can be challenged • Community Participation Opportunities Guide 2018 provides comprehensive list of ways in which the Council consults and engages with citizens, communities and service users • Extensive public consultation continues to be carried out through the Council's consultation hub • The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, concluded that: <ul style="list-style-type: none"> ○ The council's vision is aligned to the community plan priorities; ○ The council communicated the publication of the new Council Plan to citizens, staff and partner agencies. • Council Standing Orders will be reconsidered following the successful implementation of the Hybrid meeting system. 	5. Very Good

B.2 Engaging comprehensively with institutional stakeholders (including other public and third sector organisations and commercial partners)	
B.2.1 Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder are clear so that outcomes are achieved successfully and sustainably	
B.2.2 Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	
B.2.3 Ensuring that partnerships are based on: <ul style="list-style-type: none"> - Trust - A shared commitment to change - A culture that promotes and accepts challenge among partners And that the added value of partnership work is explicit	
Evidence	Evaluation
<ul style="list-style-type: none"> • The 2017-2027 East Lothian Plan clearly sets out the objectives and outcomes for the East Lothian Partnership and each member; as do the Children and Young People Plan, Community Justice Outcome Improvement Plan and various other joint strategies • The City Region Deal is a clear example of how effectively the Council works in partnership with institutional stakeholders requiring trust, a shared commitment to change and a culture that promotes and accepts challenge among partners • The Council has been an active partner in the education regional collaborative • The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, stated that: <ul style="list-style-type: none"> ○ Community empowerment is a key principle in the Council Plan 2022-27 ○ The Connected Communities Service has a key role in delivering the Council’s community empowerment objectives, encompassing the Community Learning and Development Service, support for Local Area Partnerships, Community Councils and grant funding for community organisations. There are 6 locally based Connected Communities teams with a significant focus on taking a place-based approach. ○ There are 6 Local Area Partnerships in East Lothian. These are chaired by local residents and supported by the Council via Connected Communities managers. Elected members from the relevant wards attend the partnerships but recognise the partnerships’ independence. The partnerships foster good engagement and communication between local communities and the Council. and ○ The BVAR also recommended that the Council ‘ensure community and third sector organisations, such as charities and voluntary groups, have the opportunity to shape council strategic planning at an earlier stage’. The third sector are part of the Community Planning Partnership Governance Board. However, it is not clear the extent to which this has shaped strategic planning. 	5. Very Good

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| <ul style="list-style-type: none">• Partnership and collaborative working are integral elements of any options appraisal carried out by the Council. Examples of partnership and collaborative working to achieve best value include the proposal to co-locate police in John Muir House; partnering with HubCo South East in various capital projects; the development of the Food and Drink Hub in partnership with Queen Margaret University
The Council had extensive engagement with statutory partners, in particular the NHS and Police Scotland• The Council has a strong and positive working relationship with VCEL, East Lothian's Third Sector Interface• The East Lothian Partnership took responsibility for overseeing and monitoring progress with the East Lothian Recovery and Renewal Plan and Action Plan• The East Lothian Partnership are undertaking a strategic needs assessment which will inform a review of the East Lothian Plan in 2024. | |
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B.3 Engaging with individual citizens and service users effectively	
B.3.1 Ensuring a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other provision) is contributing towards the achievement of intended outcome	
B.3.2 Ensuring that communication methods are effective, and that members and officers are clear about their roles with regard to community engagement	
B.3.3 Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	
B.3.4 Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account	
B.3.5 Balancing feedback with more active stakeholder groups with other stakeholder groups to ensure inclusivity	
B.3.6 Taking account of the impact of decisions on future generations of taxpayers and service users	
Evidence	Evaluation
<ul style="list-style-type: none"> • The Council Improvement Plan 2018-2020 included an action to review the Consultation and Engagement Strategy. A revised strategy has been developed and the Community Participation Opportunities Guide 2018 providing information on the ways in which the Council consults and engages with citizens, communities and service users has been published on the Council website • The Community Participation Opportunities Guide 2018 provides comprehensive list of ways in which the council consults and engages with citizens, communities and service users • Communications Strategy 2022-27 • Complaints procedures and monitoring reports • The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, stated that: <ul style="list-style-type: none"> ○ <i>The 2018 BVAR recommended that the council ‘coordinate consultation activity through its People’s Voice framework and tell local people how it has used their feedback’. The Consultation Hub on the council website gives online public access to consultations and includes a “we asked, you said, we did” section to give clarity on how feedback has been used. The council has also coordinated current consultation activity to obtain views covering several strategies in one exercise.</i> • The Council received a Recognised for Excellence Good Practice Award in 2018 which provided a high degree of assurance: <i>“This organisation clearly has a culture of working in partnership that is deployed right across the organisation. Reviews take place to assess the approaches taken both by the organisation and their strategic partners and staff are encouraged through workshops to look at how they can better work with others both inside and outside the organisation.”</i> • The Council provided regular communications with the general public and briefings for elected members and staff on its response to the COVID-19 emergency 	5. Very Good

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

C.1 Defining outcomes	
C.1.1 Having a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation’s overall strategy, planning and other decisions	
C.1.2 Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	
C.1.3 Delivering defined outcomes on a sustainable basis within the resources that will be available	
C.1.4 Identifying and managing risks to achievement or outcomes	
C.1.5 Managing service users’ expectations effectively with regard to determining priorities and making the best use of resources available	
Evidence	Evaluation
<ul style="list-style-type: none"> • The Council has a clear vision which has been set out in Council Plans • The 2022-2027 Council Plan and East Lothian Plan 2017-27 set out clear objectives, strategic goals and outcomes that are clearly linked to the vision and form the basis of overall strategy, other strategic plans and service plans. • As part of East Lothian Council’s 2023 ‘State of the Council’ and Annual Performance Report in February 2024 the Council agreed a reprioritisation of the Council Plan in order to respond to the new challenges and the limited resources it has the Council focusing on delivering a smaller number of priorities. • The Council has identified Top 50 Council Plan indicators to map out progress against the Council Plan objective, strategic goals and outcomes • The Council’s financial strategy 2024-29 approved by Council in December 2023 is based on delivering the Council Plan’s outcomes on a sustainable basis within the resources that will be available however has been in the context of the most challenging financial environment this Council has ever faced • Capital and Revenue Budgets paper presented to Council in February 2024 noted the extremely challenging context within which budget proposals for 2024/25 onwards have been developed, and the factors which have contributed to the gap between forecast income levels and expenditure demands. 	4. Good

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| <ul style="list-style-type: none">• The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, stated that:<ul style="list-style-type: none">○ <i>The council has well established financial management and reporting arrangements including a 5-year financial strategy for revenue and capital spend. It has a track record of delivering within its annual budget, but financial pressures are increasing significantly, future funding levels are uncertain, and the council needs to take more radical steps to secure sustainable service delivery. Longer term financial planning with robust scenario planning is needed to support strategic decision making.</i>○ <i>The council's priorities have a focus on the need to reduce inequalities and on tackling climate change.</i>• Corporate and Service risk registers identify the risks and mitigating actions. The Corporate risk register is reported to Council on at least an annual basis, more often currently due to the risks associated with financial pressures and the Audit & Governance Committee reviews Corporate and Service risk registers on an annual basis.• The City Region Deal provides significant inward investment in East Lothian's infrastructure that will support the achievement of the Economic Development Strategy and Local Development Plan• Utilisation of £11.3m of Levelling Up Funding for site preparation works at the former Cockenzie power station site will allow the progression of the masterplan of the site to be developed for economic use• The Council commissioned consultants to produce a new local economic strategy during 2023 and the East Lothian Local Economy Strategy 2024-2034 was approved at the April 2024 Council Meeting setting out a shared vision and a set of shared objectives, actions, and performance measures for East Lothian Council and its partners to work towards over the next ten years. | |
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C.2 Sustainable economic, social and environmental benefits

C.2.1 Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision

C.2.2 Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints

C.2.3 Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs

C.2.4 Ensuring fair access to services

Evidence	Evaluation
<ul style="list-style-type: none"> • The 2022-2027 Council Plan was set within the context of the social, economic and environmental challenges faced by East Lothian and in February 2024 the Council agreed a reprioritisation of the Council Plan in order to respond to the new challenges and the limited resources it has the Council focusing on delivering a smaller number of priorities. • The Council’s Integrated Impact Assessment covers protected characteristics, human rights, sustainability, corporate parenting and the Fairer Scotland Duty. This will be adapted to take account of children’s rights in line with the new UNCRC legislation in 2024. • Poverty Commission report led to the adoption of a 50-point Poverty Action Plan in 2017. The plan was reviewed in 2021 and a new East Lothian Poverty Plan 2021-2023 was adopted in late 2021. Consultation is currently underway on the draft East Lothian Poverty Plan 2024-2027 for both the public and East Lothian Council staff. • Reducing inequalities is an overarching objective of the 2022-2027 Council Plan and 2017-2027 East Lothian Plan, the revised priorities continue to make the commitment to <i>‘Target resources on statutory services and focus on the highest risks and those most in need’</i>. • Five-year financial strategy, and revenue and capital budgets are based on a longer-term view and balance wider public interest with conflicting interests • The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, stated that: <ul style="list-style-type: none"> ○ <i>The council has well established financial management and reporting arrangements including a 5-year financial strategy for revenue and capital spend. It has a track record of delivering within its annual budget, but financial pressures are increasing significantly, future funding levels are uncertain, and the council needs to take more radical steps to secure sustainable service delivery. Longer term financial planning with robust scenario planning is needed to support strategic decision making.</i> • The Council has undertaken budget consultation exercises to gauge public opinion on the ‘hard choices’ and ‘trade-offs’ it needs to make to balance budgets when resources are constrained and demand for service is rising • Corporate and Service Risk Registers take account of the social, economic and environmental challenges 	<p>4. Good</p>

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| <ul style="list-style-type: none">• 2020 Action to monitor the implementation of the Climate Change Strategy Action Plan: Implementation of the Climate Change Strategy Action Plan is carried out by the Climate Change Planning Group and reported to Council annually.• The latest Climate Change Strategy Annual update to Council in April 2024 concluded that the Council is making good progress on its Climate Change Strategy and Action Plan. However, the Council faces a challenge to balance its sustainability goals with financial constraints. It will also be difficult to make all of East Lothian climate resilient and zero emissions when a rising population and new developments necessitate greater Council activity• The Budget Development & 2024-25 Council Tax and Rent levels paper approved by Council in February 2024 also stated that:<ul style="list-style-type: none">○ <i>Even with these levels of assumed Council tax, further budget efficiency plans and indicative council tax rises proposed as part of this budget will only partially close the gap, leaving a residual budget gap of £13.074m to close over the next five years.</i> | |
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Action: Continue to work to close the identified residual budget gap for the next five years whilst continuing to maintain sustainable services.

PRINCIPLE D: Determining the interventions necessary to optimize the achievement of the intended outcomes

D.1 Determining interventions	
D.1.1 Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore, ensuring best value is achieved however services are provided	
D.1.2 Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts	
Evidence	Evaluation
<p>As B.1 and in addition:</p> <ul style="list-style-type: none"> • Capital projects, new income charge proposals and transformation change projects are mainly accompanied by business cases which include options appraisal, outcome or benefits projection and risk assessment • Customer feedback, user surveys, and Residents Survey are all used to inform decisions about services • Council has undertaken budget consultation exercises to gauge public opinion on the 'hard choices' and 'trade-offs' it needs to make to balance budgets when resources are constrained and demand for service is rising • The Council has established an all-party budget working group that will consider budget proposals and attempts to reach consensus on proposals to meet significant budget reductions to achieve a balanced budget over the next five years. 	<p>5. Very Good</p>

D.2 Planning interventions	
D.2.1 Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	
D.2.2 Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	
D.2.3 Considering and monitoring risks facing each partner when working collaboratively, including shared risks	
D.2.4 Ensuring arrangements are flexible and agile so that mechanisms for delivering goods and services can be adapted to changing circumstances	
D.2.5 Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is measured	
D.2.6 Ensuring capacity exists to generate the information required to review service quality regularly	
D.2.7 Preparing budgets in accordance with objectives, strategies and the medium-term financial plan	
D.2.8 Informing medium- and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	
Evidence	Evaluation
<p>As C1 and C2 and in addition</p> <ul style="list-style-type: none"> • The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, stated that: <ul style="list-style-type: none"> ○ The council has well established financial management and reporting arrangements including a 5-year financial strategy for revenue and capital spend. It has a track record of delivering within its annual budget, but financial pressures are increasing significantly, future funding levels are uncertain, and the council needs to take more radical steps to secure sustainable service delivery. Longer term financial planning with robust scenario planning is needed to support strategic decision making. • The 2022/23 Audit Scotland East Lothian Council Annual Audit Report stated that: <i>‘The Council faces unprecedented financial challenges, many of which are external and demand factors aligned to a growing population. While the Council recognise the scale of the financial pressures further work is required to find comprehensive plans to address these and deliver a financially sustainable operating model. It is important for the Council to focus on financial resilience including key indicators and measures.’</i> and, <i>‘The council has not set targets for all of its Top 50 performance indicators (or for all of the performance measures in its delivery plans). This makes it difficult to assess whether the council is on track to deliver its strategic priorities.’</i> • As well as the Top 50 Council Plan indicators the Council has an extensive and comprehensive set of key performance indicators covering all services which are reported quarterly and / or annually to the Policy Performance and Review Committee (PPRC) including a suite of Poverty and Equality Indicators. 	5. Very Good

D.3 Optimising achievement of intended outcomes	
D.3.1 Ensuring the medium-term financial strategy integrates and balances service priorities, affordability and other resource constraints	
D.3.2 Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	
D.3.3 Ensuring the medium-term financial strategy sets the context for ingoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	
D.3.4 Ensuring the achievement of 'social value' through service planning and commissioning	
Evidence	Evaluation
<p>As D2 and in addition</p> <ul style="list-style-type: none"> • Quarterly financial reports are presented to Council highlighting variations between expenditure and budget and associated risks • Financial and Capital Strategies 2024 to 2029 were both approved at Council in December 2023 • Annual Audit Report presented by the Council's auditors • Recovery plans are put in place to address areas of significant overspend and these are monitored by chief officers • Cabinet Approved the Improvement to Excellence: East Lothian Council's Continuous Improvement Framework in May 2023 covering 5 interrelated elements: <ul style="list-style-type: none"> ○ Setting clear outcomes and objectives ○ Service improvement planning and management ○ Performance management, monitoring and reporting ○ Self-evaluation ○ External assessment and accreditation. • The Budget development & 2024-25 Council Tax and Rent levels paper approved by Council in February 2024 also stated that: <ul style="list-style-type: none"> ○ <i>Even with these levels of assumed Council tax, further budget efficiency plans and indicative council tax rises proposed as part of this budget will only partially close the gap, leaving a residual budget gap of £13.074m to close over the next five years.</i> <p>Action: Continue to work to close the identified residual budget gap for the next five years whilst continuing to maintain sustainable services.</p>	<p>4. Good</p>

PRINCIPLE E: Developing the council’s capacity, including the capability of its leadership and the individuals within it

E.1 Developing the council’s capacity	
E.1.1 Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness	
E.1.2 Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently	
E.1.3 Recognising the benefits of partnerships and collaborative working where added value can be achieved	
E.1.4 Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	
Evidence	Evaluation
<ul style="list-style-type: none"> • Performance indicators are reviewed quarterly or annually • The Council uses the Local Government Benchmarking Framework and takes part in relevant benchmarking exercises run by the Improvement Service, APSE and other networks • All services undertake annual reviews of three-year Service Plans • The 2018-2022 Workforce Plan was reviewed and revised in 2022 and a new 2023-2027 Workforce Plan was adopted by the Council in January 2023 • Cabinet Approved the Improvement to Excellence: East Lothian Council’s Continuous Improvement Framework in May 2023 which included moving from the How Good is our Council/ Service self-evaluation framework to the Public Service Improvement (PSIF) framework. This was piloted with the CMT in early 2023 and will be rolled out across all services over a three-year period. • The 2022/23 Audit Scotland East Lothian Council Annual Audit Report stated that: <i>‘The Council faces unprecedented financial challenges, many of which are external and demand factors aligned to a growing population. While the Council recognise the scale of the financial pressures further work is required to find comprehensive plans to address these and deliver a financially sustainable operating model. It is important for the Council to focus on financial resilience including key indicators and measures.’</i> and, <i>‘The council has not set targets for all of its Top 50 performance indicators (or for all of the performance measures in its delivery plans). This makes it difficult to assess whether the council is on track to deliver its strategic priorities.’</i> 	5. Very Good

E.2 Developing the capability of the council's leadership and other individuals

E.2.1 Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding on roles and objective is maintained

E.2.2 Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body

E.2.3 Ensuring the leader and chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority

E.2.4 Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successively to changing legal and policy demands as well as economic, political and environmental changes and risks by:

- ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged
- ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis
- ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external

E.2.5 Ensuring that there are structures in place to encourage public participation

E.2.6 Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections

E.2.7 Holding staff to account through regular performance reviews which take account of training or development needs

E.2.8 Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

Evidence	Evaluation
<ul style="list-style-type: none"> • Council Standing Orders, Officers and Councillors Codes of Conduct set out the roles and responsibilities of elected members and senior officers • The Scheme of Delegation clearly specifies the remits of Council, Cabinet and Committees and specifies what is delegated to officers • CMT and Service managers have undertaken a Management and Leadership Development programme, which is now being rolled out across all levels of management on a service-by-service basis. • The Council has a rigorous annual Personal Review and Development (PRD) process in place whereby all staff should have a PRD session which takes account of training or development needs. 59% of staff who responded to the 2024 staff survey said they had had a PRD in the previous 12 months – up from 55% in the 2023 survey • Community Participation Opportunities Guide 2018 provides a comprehensive list of ways in which the Council consults and engages with citizens, communities and service users • Healthy Working Lives activities and renewed emphasis on initiatives aimed at improving the mental wellbeing and resilience of staff • The Council has a Staff Charter setting out its commitments to all staff and the behaviours that staff are expected to follow • The 2023-2027 Workforce Plan has 32 actions based around three themes: <ul style="list-style-type: none"> ○ Sustain a skilled, flexible, resilient and motivated workforce ○ Support and initiate transformational change, encouraging and supporting staff to work in a more agile way ○ Build and sustain leadership and management capacity <p>Action: Continue to monitor improvement in the participation rates in the annual Personal Review and Development (PRD) process and take action to improve participation if required.</p>	<p>4. Good</p>

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

F.1 Managing risk	
F.1.1 Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	
F.1.2 Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	
F.1.3 Ensuring that responsibilities for managing individual risks are clearly allocated	
Evidence	Evaluation
<ul style="list-style-type: none"> • Risk Strategy reviewed every four years • Corporate and Service Risk Registers – reviewed and revised regularly by Corporate and Service risk groups and CMT before being presented to Council or Audit & Governance Committee • CMT has established a risk sub-group • Responsibilities for risks are set out in the registers • The Corporate Risk Register were reviewed to take account of and reflect the risks arising from the COVID-19 emergency • The Council will continue to review its policies and processes to support its continuous improvement 	5. Very Good

F.2 Managing performance	
F.2.1 Monitoring service delivery effectively including planning, specification, execution and independent post implementation review	
F.2.2 Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risk inherent in the organisation's financial, social and environmental position and outlook	
F.2.3 Ensuring an effective scrutiny and oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (Or for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making	
F.2.4 Providing members and senior management with regular reports on service delivery plans and progress towards outcome achievement	
F.2.5 Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)	
Evidence	Evaluation
<ul style="list-style-type: none"> • Service Plans take account of improvement actions arising from the self-evaluation • Performance against service Key Performance Indicators are taken into account in the self-evaluation • The Council's three scrutiny committees – Police Performance and Review; Audit & Governance; and Police, Fire and Community Safety – operate effectively and provide challenge to senior officers and the Administration • The Guide to Scrutiny encourages constructive challenge and debate • The Cabinet has approved the revised Improvement to Excellence Continuous Improvement Framework in May 2023. • Quarterly and Annual Performance Reporting • The Council adopted a new set of Top 50 Council Plan Indicators based on the 2022-2027 Council Plan. These will be reported on to PPRC in June and then to Council as part of the annual State of the Council report each December • Quarterly financial statements considered by Council detail the variances against the budget • The 2022/23 Audit Scotland East Lothian Council Annual Audit Report stated that: <i>'The council has not set targets for all of its Top 50 performance indicators (or for all of the performance measures in its delivery plans). This makes it difficult to assess whether the council is on track to deliver its strategic priorities.'</i> • The Council has adopted the Public Service Improvement Framework (PSIF) as its self-evaluation framework. This has been piloted by CMT and will be rolled-out to all services over the next three years. 	5. Very Good

F.3 Robust internal control	
F.3.1 Aligning the risk management strategy and policies on internal control with achieving objectives	
F.3.2 Evaluating and monitoring risk management and internal control on a regular basis	
F.3.3 Ensuring effective counter fraud and anti-corruption arrangements are in place	
F.3.4 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	
F.3.5 Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and that its recommendations are listened to and acted upon	
Evidence	Evaluation
<p>As F.1 and in addition</p> <ul style="list-style-type: none"> • The Council has in place a Strategy for the Prevention and Detection of Fraud and Corruption and takes part in the National Fraud Initiative (NFI) exercise with activity reported to the Audit & Governance Committee every two years • Counter fraud and anti-corruption arrangements are audited by external and internal auditors • Following recent review of the Counter Fraud provision a Counter Fraud Officer has been appointed within the Internal Audit team • External and Internal auditors provide assurance on the adequacy and effectiveness of all control measures, Internal Audit review risk management arrangements on an annual basis • The Audit & Governance Committee is independent of the Executive. It is chaired by a member of the Opposition, has a majority of opposition members and no Cabinet members • Annual reporting is completed by Internal Audit to the Audit & Governance Committee on the overall effectiveness of the framework of governance, risk management and control of the Council. 	5. Very Good

F.4 Managing data

F.4.1 Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data

F.4.2 Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies

F.4.3 Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring

Evidence	Evaluation
<ul style="list-style-type: none">• GDPR policy and processes• Information Governance Annual report to the March 2024 Audit & Governance Meeting• Records Management Policy• Data sharing protocols are in place• Performance data is audited by Internal Audit• Data sharing agreements and arrangements had to be reviewed / put in place as a result of the COVID-19 emergency, in particular around managing the personal data of over 3,600 shielded people.	5. Very Good

F.5 Strong public financial management

F.5.1 Ensuring financial management supports both long term achievement of outcomes and short term financial and operational performance

F.5.2 Ensuring well developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

Evidence	Evaluation
<ul style="list-style-type: none"> • Financial Management Strategy updated and approved by Council, December 2023 • The 2022/23 Audit Scotland East Lothian Council Annual Audit Report stated that: <i>'The Council faces unprecedented financial challenges, many of which are external and demand factors aligned to a growing population. While the Council recognise the scale of the financial pressures further work is required to find comprehensive plans to address these and deliver a financially sustainable operating model. It is important for the Council to focus on financial resilience including key indicators and measures.'</i> • The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, stated that: <ul style="list-style-type: none"> ○ <i>The council has well established financial management and reporting arrangements including a 5-year financial strategy for revenue and capital spend. It has a track record of delivering within its annual budget, but financial pressures are increasing significantly, future funding levels are uncertain, and the council needs to take more radical steps to secure sustainable service delivery. Longer term financial planning with robust scenario planning is needed to support strategic decision making. And</i> ○ <i>The council faces uncertainty over future funding and increasing financial pressures. Radical solutions are needed to deliver sustainable services and robust long term financial planning is needed to support strategic decision making.</i> <p>Action: The Council should develop its longer-term financial planning including scenario planning using a range of assumptions to identify service delivery options as future funding remains uncertain.</p>	<p>4. Good</p>

PRINCIPLE G: Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

G.1 Implementing good practice in transparency	
G.1.1 Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience ensuring that they are easy to access and interrogate	
G.1.2 Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	
Evidence	Evaluation
<ul style="list-style-type: none"> The 2018 Best Value Assurance Report provided a high level of assurance. It concluded: <i>“In 2007, we reported that there was an informal approach to conducting business and many meetings were held in private. Council business is now conducted in public and in a formal manner. Agendas, minutes and reports are available on the council website. By exception, some items are held in private and the reasons for this are documented. Working relationships between officers and councillors are professional and constructive.”</i> <i>“Council business and decision are clearly documented. The standard of scrutiny by members of the two main scrutiny committees is good. The council’s decision-making processes are clear and open. Performance management is thorough, and elected members and officers make good use of reports to evaluate performance. It could be improved by linking the various reports and explaining more clearly whether performance is on track against target.”</i> 	5. Very Good

G.2 Implementing good practice in reporting	
G.2.1 Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way	
G.2.2 Ensuring members and senior management own the results reported	
G.2.3 Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)	
G.2.4 Ensuring this Framework is applied to jointly managed or shared service organisations as appropriate	
G.2.5 Ensuring the performance information that accompanies the financial statement is prepared in a consistent and timely basis and the statements allow for comparison with other similar organisations	
Evidence	Evaluation
<ul style="list-style-type: none"> • The Council produces quarterly performance reports and an Annual Public Performance Report which are reported to PPR Committee • The Council Management Team (CMT) reviews the quarterly and annual performance reports • The CMT reviews the Corporate Governance Framework and self-evaluation before it is reported to Audit & Governance Committee • The Council participates fully in the Local Government Benchmarking Framework and the annual LGBF report which includes a wide range of performance benchmarking data is considered by CMT and then the PPR Committee. 	5. Very Good

G.3 Assurance and effective accountability	
G.3.1 Ensuring that recommendations for corrective action made by external audit are acted upon	
G.3.2 Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon	
G.3.3 Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	
G.3.4 Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	
G.3.5 Ensuring that when working in partnership arrangements for accountability are clear and the need for wider public accountability has been recognised and met	
Evidence	Evaluation
<ul style="list-style-type: none"> • Actions identified by External Audit are reported to members via the Audit & Governance Committee and are acted on • All Internal Audit reports are reported to members via the Audit & Governance Committee follow-up reporting against each report is provided to provide assurance that recommendations are acted upon. • Education Scotland Inspection reports and follow up visits are presented to the Education and Children's Services Committee • All ALEO organisations report on an annual basis to the Audit & Governance Committee. 	5. Very Good