

DATA LABEL: PUBLIC

**WEST LOTHIAN COUNCIL****CORPORATE GOVERNANCE – ANNUAL REPORT 2022/23****REPORT BY CHIEF EXECUTIVE****A. PURPOSE OF REPORT**

To give assurance to all members on the council's compliance with the principles and standards of good corporate governance.

B. RECOMMENDATIONS

1. To note the summary of the corporate governance reporting to Governance & Risk Committee on 12 June 2023 when it approved the council's annual governance statement for 2022/23.
2. To note the assurance given to and accepted by the committee on behalf of the council that the council's corporate governance standards were substantially met in 2022/23.

C. SUMMARY OF IMPLICATIONS

I Council Values	Being honest, open and accountable
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	Code of Corporate Governance. The council's Corporate Plan 2018/23 identified governance and risk as one of three co-ordinated enablers underpinning the delivery of the Plan's priorities and outcomes. A new Corporate Governance Strategy is being developed in support of the Corporate Plan 2023/28
III Implications for Scheme of Delegations to Officers	None
IV Impact on performance and performance Indicators	Good governance contributes to good performance and good decisions
V Relevance to Single Outcome Agreement	N/a
VI Resources - (Financial, Staffing and Property)	Within existing resources
VII Consideration at PDSP	None required
VIII Other consultations	Those consulted in preparing the annual governance statement: Audit, Risk and Counter

Fraud Manager; Chief Solicitor; Governance and Risk Board; Corporate Management Team

D. TERMS OF REPORT

1 Background

- 1.1 Corporate Governance comprises the arrangements put in place to ensure that intended outcomes for stakeholders are defined and achieved. It is recognised that good corporate governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes. Corporate governance is not directly about performance, or service standards, or service delivery, or policy-making. It is about the systems which make sure these things can be done, that they can be done well, and that they can be done in an open, transparent and accountable way.
- 1.2 The council itself, comprising all elected members, is the authority or governing body which carries ultimate responsibility for achieving good standards of corporate governance. It receives assurance in relation to that obligation through the activities of its committees (especially Governance & Risk Committee and Audit Committee) and from council officers. It is recognised that governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.
- 1.3 The council is required to approve an annual governance statement each year. It is included in the annual accounts and financial statements submitted for audit. Approval of the annual governance statement is delegated by the council to the Governance & Risk Committee. That was done at its meeting on 12 June 2023.
- 1.4 As well as the delegation to Governance & Risk Committee, this annual summary report is brought to all members. The report provides assurance to members who do not sit on Governance & Risk Committee in relation to the extent of compliance with the Code, to provide information about steps taken in the reporting year to address areas of concern, and to identify areas of concern requiring future attention. It is brought to the same meeting as the council's draft annual accounts and the external auditor's annual report.

2 Annual Governance Statement

- 2.1 It is a requirement of the regulations for dealing with the council's annual accounts that an annual governance statement is approved and included in those accounts. The statement is prepared in accordance with a CIPFA/SOLACE Framework called "Delivering Good Governance in Local Government (2016)" and accompanying guidance. The statement is in the audited accounts presented to council today for approval. The relevant findings of the external auditor are summarised below (D.6).

- 2.2 The statement for 2022/23 was approved by Governance and Risk Committee on 12 June 2023. The conclusion and assurance given was that “(t)here are inevitably issues on which future work is required, but, based on the sources and evidence described in this statement, the council and the West Lothian community can be assured that the council’s corporate governance standards have been substantially met in 2022/23”. Committee accepted that assurance. The same assurance is given again to all members today.
- 2.3 The conclusion and assurance were based on these documents and sources. Those are explained below and are summarised in Appendix 2:-
- The annual internal audit opinion by the Audit Risk & Counter Fraud Manager on the effectiveness of the framework of governance, risk management and control (the statutory review of the system of internal control)
 - Annual compliance statements produced by the Monitoring Officer and stand-alone reports in relation to significant council policies and procedures
 - The freshly-populated evidence-based Local Code of Corporate Governance
 - Progress made in the reporting year on areas of governance concern
- 2.4 Governance & Risk Committee delegated authority to officers to update and make minor changes to the annual governance statement before it was finalised and included in the annual accounts. Those changes typically arise from observations by the external auditor during the audit process, and from significant post-approval changes in circumstances. Although the reporting year ended on 31 March 2023, the CIPFA/SOLACE guidance indicates that the annual governance statement should be as up-to-date as possible and should reflect relevant and significant changes occurring after the end of the reporting year. That delegated authority was used this year only to correct a small number of typographical errors. Those amendments make no difference to the conclusion and assurance in the annual governance statement.

3 Local Code of Corporate Governance

- 3.1 The council’s governance arrangements are monitored and recorded in its Local Code of Corporate Governance, maintained in accordance with the CIPFA/SOLACE Framework. The Code was adopted in April 2018 and it remains current. The Code adopts the seven over-arching principles from the Framework. The diagram in Appendix 1 shows the seven principles and their interaction. It shows a short list for each of them of the most significant sources of evidence used to establish corporate governance compliance each year.
- 3.2 Each of those seven principles is broken down into sub-principles and then into a hierarchy of separate elements to allow a more focused approach to the evidence-based components of each. The evidence listed in the approved Code is updated and assessed each year and a brief commentary added. The elements in the assessment are (a) the approach designed to be taken, (b) the extent to which that approach is used in practice, and (c) the arrangements in place to review the approach. An overall assessment is made and a grading applied using simple red, amber and green indicators. Under a red/amber/green assessment system there were no “red” scores in 2022/23. There were 223 assessed as “green”, representing 86% of the total entries. That compares well with previous years.

	2018/19	2019/20	2020/21	2021/22	2022/23
Green	212 (82%)	208 (81%)	218 (84%)	219 (85%)	223 (86%)
Amber	46 (18%)	50 (19%)	40 (16%)	39 (15%)	35 (14%)
Red	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Total	258	258	258	258	258

- 3.3 Compliance in 2022/23 with the standards in the Code remained high. Although there are no red assessments, there are areas where improvement can be made or where review is required. Those have been transferred into the annual governance statement as part of a list of matters to be addressed in 2023/24. Governance & Risk Committee will monitor their progress through bi-annual reports.

4 Annual compliance statements

- 4.1 The conclusion and assurance in the annual governance statement was also informed by a suite of compliance statements. In those, relevant senior officers confirm the extent of compliance with significant legal regimes and corporate policies and procedures. Some of those are supplemented by stand-alone reports to members at other times of the year, for example, on the Councillors' Code of Conduct, and the use made of covert surveillance. The statements are as follows:-

- Best Value Framework - Head of Finance & Property Services
- Procurement - Head of Corporate Services
- Fraud and Corruption - Head of Finance & Property Services
- Employee Whistleblowing - Head of Corporate Services
- Discipline and Grievances - Head of Corporate Services
- Occupational Health & Safety - Head of Corporate Services
- Protection of Vulnerable Groups - Head of Corporate Services
- Information Security - Head of Corporate Services
- Public Sector Equality Duty - Head of Corporate Services
- Breaches of the Law - Monitoring Officer
- Information Governance – Head of Corporate Services
- Regulation of investigatory Powers – Depute Chief Executive (Corporate, Operational and Housing Services)
- Councillors' Code of Conduct – Monitoring Officer

- 4.2 The statements identified incidents of failure in compliance, none of which was assessed to be of significance to the council at a corporate level. Where remedial action was required, those were translated into the annual governance statement as areas of concern to be addressed in 2023/24. The statement by the Monitoring Officer on breaches of the law mentioned four specific incidents of non-compliance. None of those in his opinion were material breaches of the law which had or would have a significant impact on the operations or finances of the council. He certified that the council was complying in all material respects with its legal requirements. The failures in legal compliance in the Monitoring Officer's compliance statement for 2021/22 had been or were being addressed to his satisfaction.

5 Areas of concern

- 5.1 Since adoption of the current Code, the Governance & Risk Committee has been provided with a running list of governance issues brought out in annual governance statements. The statements provide, in summary form, the issues previously identified and progressed and the new issues to be added. They are compiled into one monitoring document and progress is reported to committee bi-annually.
- 5.2 The progress reports to Governance and Risk Committee on 12 December 2022 and 12 June 2023 reduced the number of issues from 13 to seven. All have been carried forward into the next reporting year. They are works in progress and plans are in place to address them and ensure their completion. The most significant were the regularisation of low monetary value leases of community centres, the re-establishment of the Citizen Led Inspection Programme, and a full review of the council's relationship with its ALEO, West Lothian Leisure (WLL). Progress will be reported separately to Governance & Risk Committee at its meetings in December 2023 and June 2024.

6 External auditor's report

- 6.1 The report by the external auditor (Audit Scotland) on the council's annual accounts and statements, including the annual governance statement, is being reported to council today. It is in two parts this year – the annual audit report itself and a Best Value Thematic Review. The financial, accounting and some of the best value aspects are dealt with separately by the Head of Finance & Property Services.
- 6.2 The annual audit report has sections about vision, leadership and governance, and best value. On those aspects, the auditor concludes:-
- Committee meetings are conducted in a professional manner with a reasonable level of scrutiny and challenge by members
 - The council has an established and effective performance management framework that managers and councillors clearly understand. There is regular performance reporting to elected members
 - It provides a sound base for improvement with performance measures aligned to key priorities and outcomes. There are satisfactory arrangements for the preparation and publication of Statutory Performance Information
 - The governance arrangements set out in the annual governance statement are appropriate and effective
 - Overall, governance arrangements remain appropriate and support effective scrutiny, challenge and informed decision making
- 6.3 The Best Value Thematic Review deals with leadership and development of new local strategic priorities. Some of its key messages are:-
- The council has created a clear vision through its new Corporate Plan 2023-28
 - It has been effective in gathering the views of citizens to develop the council priorities
 - It highly values and has acted on citizens' feedback through its consultation processes
 - The council and its partners have clear ambitions to tackle poverty and reduce climate change, using lived experience to inform its corporate strategies, with governance arrangements in place to monitor progress

- It has financial planning arrangements in place to support the alignment of resources to council priorities

6.4 Both documents contain a small number of agreed actions. Progress and completion will be monitored through Audit Committee and Governance & Risk Committee and reported in annual financial and corporate governance reporting next year.

E. CONCLUSION

On the basis of all of the factors and information noted and summarised in this report, the council, and its members as the governing body, can be assured that the standards of corporate governance were substantially met in 2022/23.

F. BACKGROUND REFERENCES

- 1 Governance and Risk Committee, 12 June 2023
- 2 “Delivering Good Governance in Local Government - Framework (CIPFA/SOLACE, 2016)
- 3 “Delivering Good Governance in Local Government - Guidance Notes for Scottish Authorities (CIPFA/SOLACE, 2016)
- 4 Best value duty in sections 1 and 2 of the Local Government in Scotland Act 2003
- 5 West Lothian Council, 27 September 2022

Appendices/Attachments: 1. Corporate governance principles illustrated
2. Summary of corporate governance assessment for 2022/23

James Millar, Governance Manager/Monitoring Officer, 01506 281613,
james.millar@westlothian.gov.uk

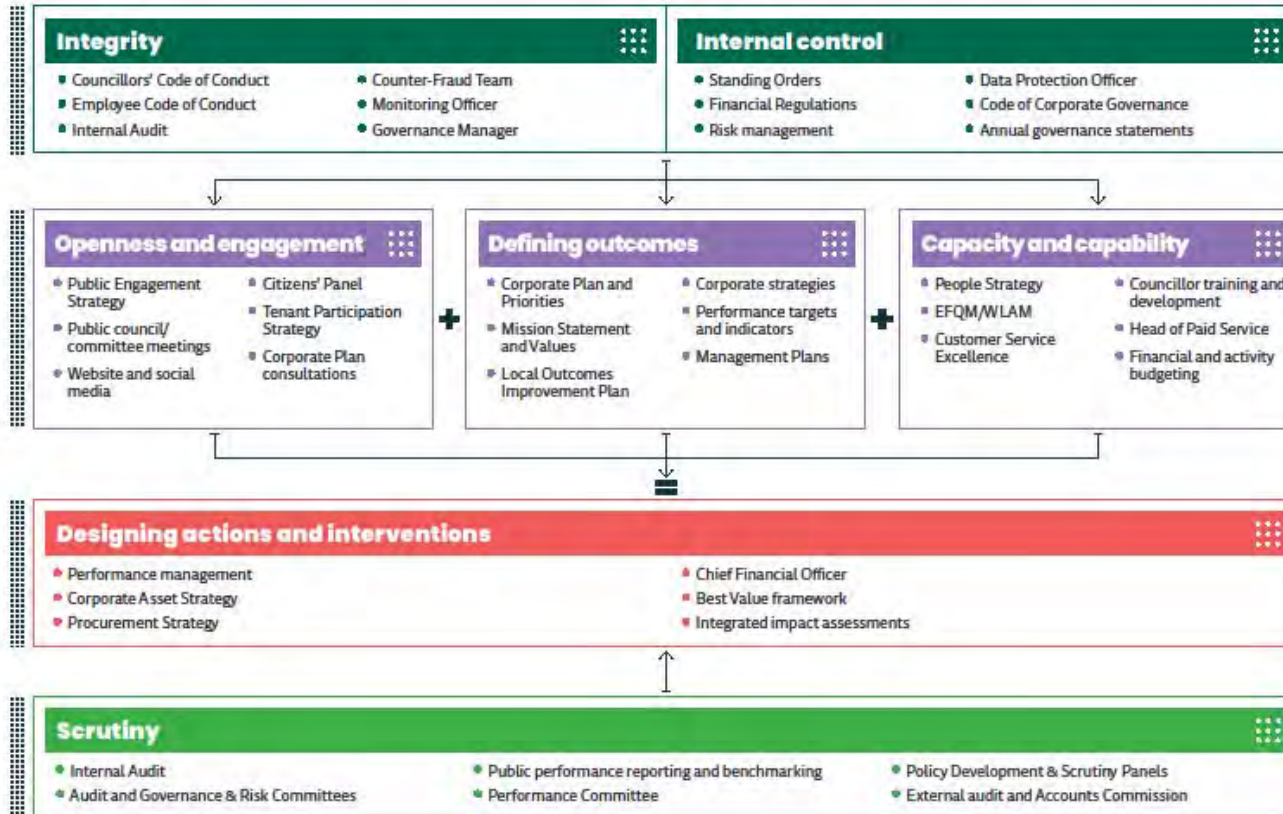
Graham Hope, Chief Executive

Date of meeting: 26 September 2023

APPENDIX 1



Governance principles and common sources of evidence



APPENDIX 2

