Governance, Risk and Best Value Committee

10am, Tuesday, 23 August 2022

Annual Governance Statement

Executive/routine
Wards
Council Commitments

1. Recommendations

1.1 That committee scrutinise the Annual Governance Statement prior to its signing and incorporation into the Council's audited financial statements that will be presented to Council for approval.

Andrew Kerr

Chief Executive

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Report

Annual Governance Statement

2. Executive Summary

2.1 This draft Annual Governance Statement is presented to committee for scrutiny before it is finalised for the audited financial accounts.

3. Background

3.1 Statutory regulations govern the preparation and submission of the Council's financial statements for audit.

3.2 The Annual Governance Statement is signed by the Chief Executive and Leader of the Council prior to the financial statements being signed and presented for approval to Council and then submitted for audit by the Service Director: Finance and Procurement, the Council's Section 95 officer.

4. Main report

4.1 The Council's Annual Governance Statement (AGS) is prepared in accordance with the CIPFA/SOLACE 'Delivering Good Governance in Local Government' Framework (2016), which fulfils legislative statutory requirements.

4.2 The Council's Annual Assurance (AA) exercise, that covers directorates, significant council companies and joint boards, informs the content of the AGS, along with input from the Chief Internal Auditor and the Corporate Governance Code self-assessment.

4.3 The unaudited annual accounts considered by Council in June 2022 contained the draft Annual Governance Statement. However, there is still the opportunity to scrutinise in advance of the audited accounts going to Council in October.

4.4 The conclusion in the Annual Governance Statement is that the Council's governance and control framework provides a satisfactory level of assurance. There are areas where improvement is required but the Council is aware of these and has plans in place to implement improvement actions. Capacity issues remain but there has been a strong level of commitment shown by the Chief Executive and executive directors to address these weaknesses. This commitment though needs to be

maintained and the Council continue to be ambitious in improving its governance arrangements as budgetary and resource pressures increase.

5. Next Steps

5.1 The Annual Governance Statement will be signed by the Chief Executive and Leader of the Council and incorporated into the financial statements for approval at the Council in October 2022.

6. Financial impact

6.1 This report has no financial impact.

7. Stakeholder/Community Impact

7.1 This report has no stakeholder/community impact.

8. Background reading/external references

8.1 None.

9. Appendices

9.1 Annual Governance Statement 2021/22.

City of Edinburgh Council

Annual Governance Statement

2021/22

ANNUAL GOVERNANCE STATEMENT

Introduction

1.1   2021/22 has been a challenging year, with the Covid-19 pandemic remaining prevalent throughout this period but by the end of the year, restrictions ending and a return to 'normality' commencing. The pandemic continued to put strain on the Council's resources, and this was especially so as services resumed and staff returned to offices. The past two years have also been challenging for elected members and officers and the pandemic has placed a significant strain upon Council finances, the workforce, digital and physical assets alike, along with our supply chain and partners.

1.2   The Council's governance has been effective during this period, although the strains on the system cannot be underestimated. Through robust and effective governance, the Council has been able to respond well to these evolving and increasing challenges, to adapt and evolve the provision of its services and, importantly, to take on additional responsibilities to support local and national responses to Covid-19. The resumption of services and the impact of the pandemic on the staff and the wider City will now be a new challenge that the Council must tackle.

1.3   The Council has also had to take steps to help refugees impacted from the war in Ukraine. This has involved setting up a project team and has required input from across the Council. Partnership working has been key to this, as well as close co-operation with the UK and Scottish Governments.

Scope of Responsibility

1.4   The City of Edinburgh Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, effectively and ethically. The Council also has a statutory duty, under the Local Government in Scotland Act 2003, to make arrangements to secure best value, which is demonstrated by continuous improvement in the way its functions are carried out.

1.5   In discharging these responsibilities, Elected Members and senior officers are responsible for implementing effective arrangements for governing the Council's affairs, and facilitating the effective exercise of its functions, including securing appropriate arrangements for the management of risk.

1.6   This statement also covers the organisations included in the Council's Group Accounts, a list of which is included on page xx of the Accounts.

Council's Strategy and Vision

1.7 In February 2021 the Council approved a new Council Business Plan: *Our Future Council, Our Future City* which set out the Council's strategic priorities and how the aims set out in the Community Plan would be taken forward over the next 3 years.

1.8 The Business Plan covers a three year period and provides an overarching focus for the Council in terms of its priorities and the delivery of its aims. It provides an opportunity to deliver a future organisation to meet the changing needs of citizens.

1.9 The Business Plan sets out the three main priorities the Council would focus on in the coming years:

1.9.1 Ending poverty by 2030;

1.9.2 Becoming a sustainable and net zero city; and

1.9.3 Wellbeing and Equalities.

1.10 The Business Plan describes the approach the Council will take to deliver its priorities in the form of 15 outcomes with actions. This plan stands as one part of a "golden thread" linking and guiding operations, through to the shared goals and commitments of the Edinburgh Partnership and towards the long term ambitions for Edinburgh to be a fair, welcoming, pioneering, and thriving City, as outlined in the 2050 Edinburgh City Vision.

1.11 The Business Plan also met the Accounts Commission's Best Value Report recommendations on aligning the Council's strategic direction.

Decision making structures

Political Governance Arrangements

1.12 The Council operates an executive committee structure (see figure 1.1). This consists of six executive committees which are responsible for policy and financial decision making and scrutiny within their designated areas of responsibility. These committees are Policy and Sustainability; Culture and Communities; Education, Children and Families; Finance and Resources; Housing, Homelessness and Fair Work; and Transport and Environment.

1.13 The Governance, Risk and Best Value Committee seeks assurance over the adequacy of governance and risk management frameworks and the internal control environment. It also scrutinises the Council's financial and non-financial performance, approves and monitors progress against the internal audit risk-based plan, and monitors performance of the internal audit service.

1.14   The Council also operates a range of other committees, some of which are quasi-judicial, such as the Development Management Sub-Committee and the Licensing Sub-Committee, to consider individual applications.
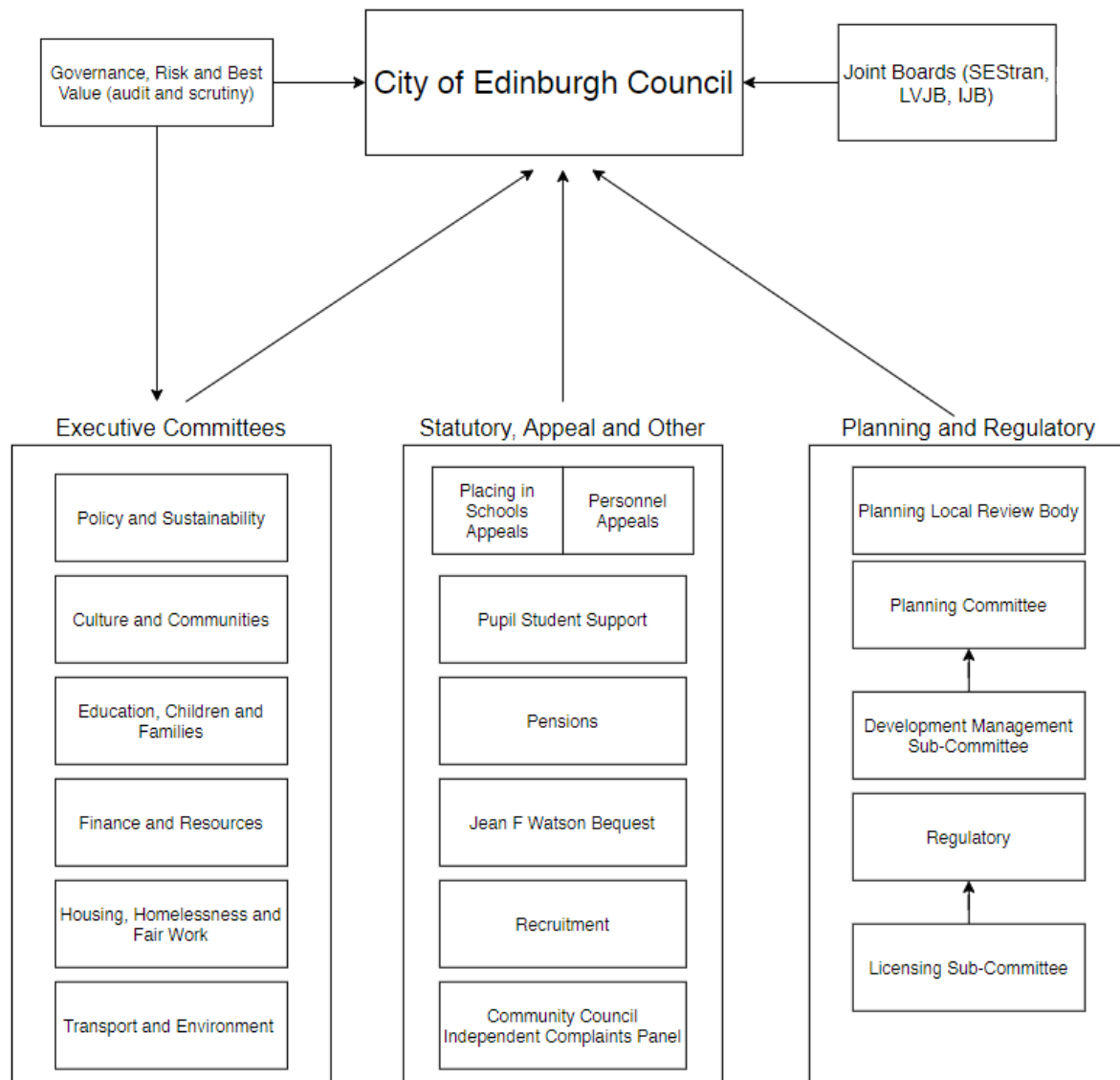

Figure 1.1 Executive Committee Structure

Political decision making in Covid- 19

1.15   The impact of Covid-19 on political decision making in 2021-22 has been minimal. All meetings were re-established, and virtual and hybrid meeting arrangements were put in place to allow meetings to carry on as close to normal as possible. Interim Standing Orders were agreed which took account of the additional pressures that virtual only meetings put on members and attendees of committees.

Officer Decision Making

1.16 The Corporate Leadership Team (CLT) meets weekly, led by the Chief Executive, and includes all Executive Directors and key statutory officers including the Section 95 Officer, Monitoring Officer and Chief Social Work Officer.

1.17 CLT is supported by a range of groups covering key matters such as risk, health and safety and programme management. There is a robust health and safety reporting structure which includes directorate health and safety groups, a quarterly Council health and safety group and a quarterly consultative forum involving the trade unions. Health and safety working groups are in place for key life safety issues including: fire; water safety; and asbestos. All directorates have risk and assurance committee meetings at least quarterly and ensure appropriate escalation of risks. The CLT also has a specific risk committee meeting which reviews the corporate risk register on a quarterly basis.
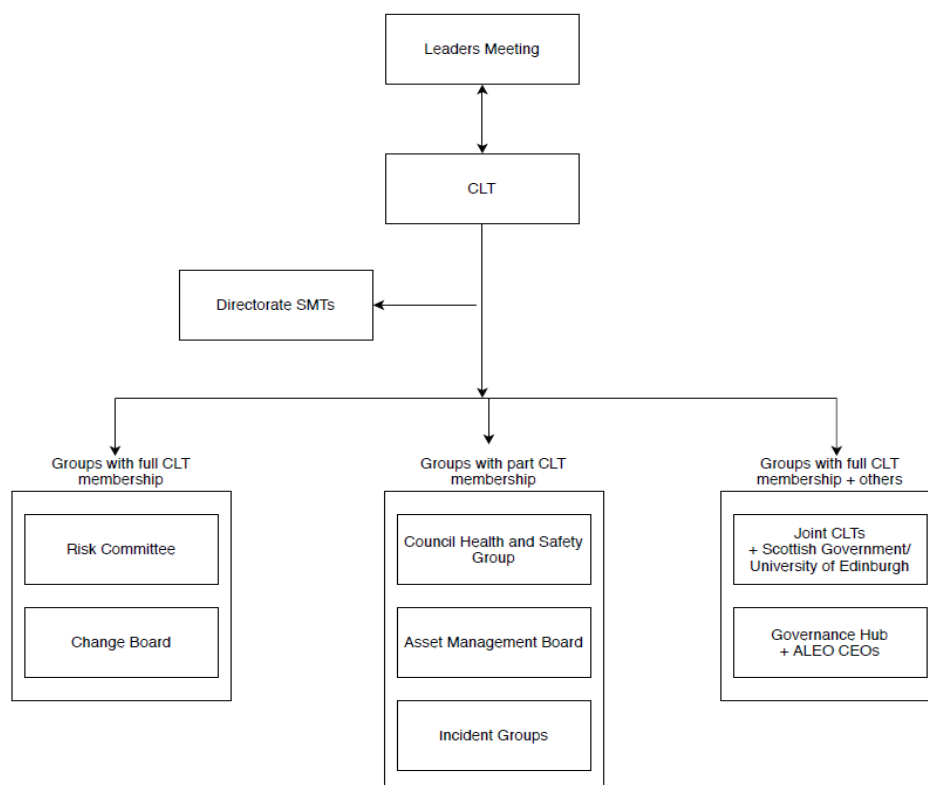

Figure 1.2 - CLT and Senior Management Team (SMTs) Structure

1.18 A key area of governance for the Council is its involvement in national, regional and city wide bodies. The Chief Executive and members of CLT represent the Council on a number of groups. Examples of these include

SOLACE, Scottish Government Directors, City Deal Executive, Edinburgh Guarantee and Edinburgh Chamber of Commerce Council. Partnership working has increased during the Pandemic, building on strong relationships and the need to work together to provide holistic solutions for the City and its region.

1.19 Arm's Length External Organisations (ALEOs) reporting in terms of the Annual Governance Statement is reported through assurance schedules being submitted to their relevant directorate. The Executive Director then determines whether they feel it is appropriate for any issues highlighted to be included in their assurance schedules and reported in the Annual Governance Statement.

Covid-19 Officer Decision Making

1.20 Decision making during the Covid-19 pandemic has varied depending on the current impact on Council services. As a result, the frequency of meetings varied during 2021-22, until March 2022 when Covid arrangements were reduced to a minimum. The Council's incident management team continues to meet weekly but the impact of Covid-19 on Council services has reduced to a manageable level although the impact on staff absences and the residual impact on some services remains and requires to be closely monitored.

1.21 The groups below were all established to respond to, or assisted with dealing with, Covid-19:

1.21.1 Council Incident Management Team (CIMT), chaired by the Chief Executive

1.21.2 Directorate Incident Management Teams, with escalation to CIMT

1.21.3 Specialist Incident Management Teams:

1.21.3.1 Health and Social Care Command, chaired by EHSCP Head of Operations

1.21.3.2 Personal Protective Equipment (PPE), chaired by the Chief Procurement Officer

1.21.3.3 Shielding, chaired by the Executive Director of Resources

1.21.3.4 Vulnerable and Volunteering, chaired by the Executive Director of Communities and Families

1.21.4 Cross-Council Risk Forum, convened and chaired by the Head of Legal and Assurance

1.21.5 Weekly meetings with the Trade Unions, including on specialist subjects such as PPE.

1.22 The CIMT and directorate IMTs have provided a clear, easy to understand and effective governance structure for organising services during the

emergency. They have met frequently during the pandemic, operating flexibly to ensure the Council could react rapidly to any arising issues.

1.23 The three guiding principles that were set out at the beginning of the response have been the framework for every decision taken:

1.23.1 to protect the most vulnerable in our city;

1.23.2 to minimise the risks to our colleagues; and

1.23.3 to continue to provide services in challenging circumstances.

1.24 The Chief Executive established measures to ensure that decision making was as transparent as possible and that critical decisions were taken only by officers where absolutely necessary. The following principles were applied:

1.24.1 The Chief Executive would be the only officer to take decisions in response to the Covid-19 emergency using powers outlined in the Scheme of Delegation to Officers;

1.24.2 The Chief Executive would consult on all these decisions with the Leader and Depute Leader;

1.24.3 Decisions would be considered and discussed at the Council's Incident Management Team;

1.24.4 If possible, Executive Directors would discuss matters at their directorate incident management teams before escalating to the CIMT;

1.24.5 Decisions would only be taken by the Chief Executive where urgent and where they could not be considered in good time by the Leadership Advisory Panel;

1.24.6 Decisions would be reported to the Leadership Advisory Panel for information; and

1.24.7 When making decisions, the potential risk and impact of those decisions, whether existing controls are effective and what new measures or controls may be required should be considered. This process should be as efficient and streamlined as possible.

1.25 The Council has reduced both the number and frequency of its Covid-19 meetings from the peak in 2020-21, but the Council's Incident Management Team continues to meet weekly and other meetings have been stood back up depending on the changing situation of the pandemic.

1.26 In May 2020 the Council, recognising the significant long term impact and challenges caused by the pandemic, commenced a programme of work titled Adaptation and Renewal, focussed on post-Covid new ways of working. It aimed to set a clear long term vision, feeding into the business plan, on how the City would recover while retaining the flexibility to adapt to the changing public health situation.

1.27 Its five work programmes were as follows:

1.27.1 Public Health Advisory Board - This board brought together NHS Lothian and the Edinburgh Health and Social Care Partnership (EHSCP) to ensure the effective communication and implementation of national advice concerning public health.

1.27.2 Service Operations – To consider how to reintroduce services and adapt to new ways of working.

1.27.3 Change, People and Finance – To evolve the Council's current Change Strategy and financial framework and the impact of the pandemic on our workforce, our digital strategy and governance arrangements.

1.27.4 Sustainable Economic Recovery – To work closely with the Scottish and UK Governments, the business community and the third sector, to respond to the challenging economic circumstances facing the city and the nation.

1.27.5 Life Chances - To consider the provision of education and to ensure the Council is supporting people who are vulnerable or need support because of the impact of Covid-19.

1.28 The programme, alongside urgent decisions taken on the pandemic were reported to the Policy and Sustainability Committee until the programme was closed at the end of 2021 and in February 2022 reporting on the programme outcomes and the Covid-19 position concluded.

Partnership Working

1.29 The Council plays an important role in the Edinburgh Partnership, the Community Planning Partnership in Edinburgh, and its new community planning structure. The new framework agreed by the Edinburgh Partnership comprises a Board, four city wide partnerships, four locality partnerships and thirteen neighbourhood networks. The new arrangements are designed to support a different way of working and to support the delivery of the Partnership's priorities for the city as set out in the new community plan. The plan focuses on reducing poverty and inequality in the city through making sure people have enough money to live on; access to work, learning and training opportunities; and have a good place to live.
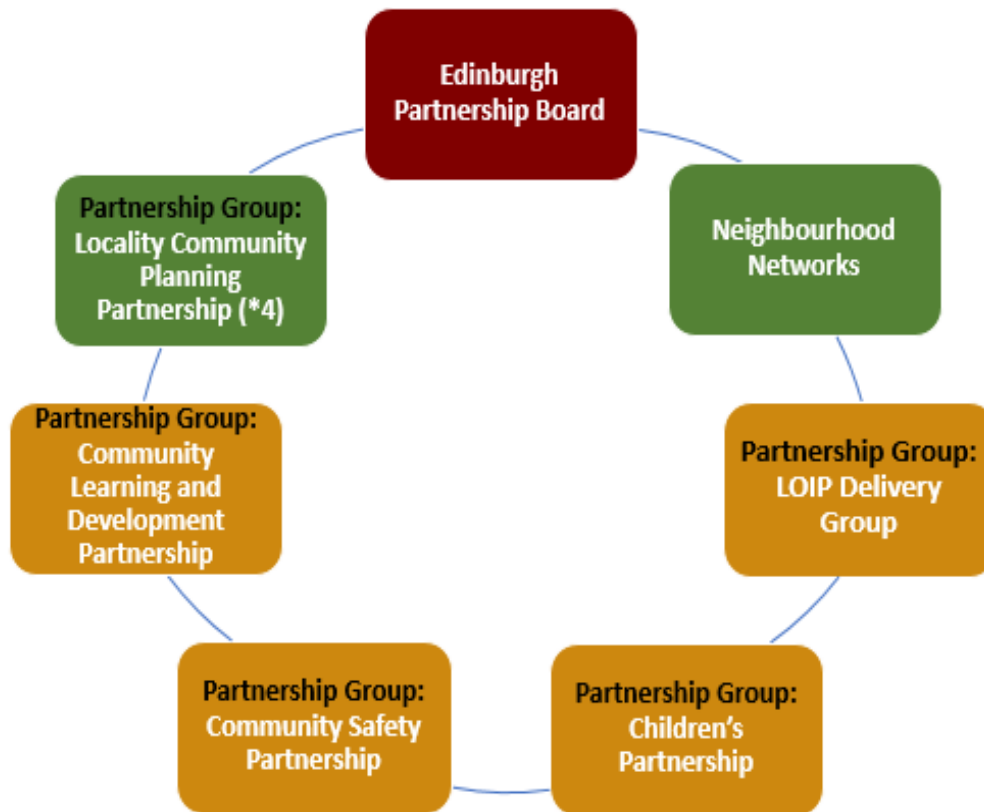
1.30 The Council, NHS Lothian and the Edinburgh Integration Joint Board work closely together to work towards a more caring, healthier and safer Edinburgh. The responsibility for the budget does not sit with the Council but it plays a key role in supporting the processes in place to ensure sound financial management and budget control.

Internal Controls

1.31 A significant part of the governance framework is the system of internal controls in place to ensure that risks are being identified and managed effectively. The Council has adopted a local Corporate Governance Code (CGC). The CGC is based on the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives and Senior Managers (SOLACE) model framework Delivering Good Governance in Local Government. The CGC outlines how the Council embeds good governance throughout the organisation and is available on the Council's website.

Review of Effectiveness

1.32 An assurance statement on the effectiveness of the system of internal controls has been provided and was informed by:

1.32.1 the work of the Corporate Leadership Team which develops and maintains the governance environment;

1.32.2 the certified annual assurance statements provided by all Executive Directors;

1.32.3 the certified assurance statements provided by the Chief Executives and Directors of Finance of the Council's group companies.

1.32.4 council officers' management activities;

1.32.5 the Chief Internal Auditor's annual report and internal audit reports, risk-based, across a range of Council services;

1.32.6 reports from the Council's external auditor; and

1.32.7 reports by external, statutory inspection agencies.

1.33 The Accounts Commission in November 2020 published their Best Value Assurance report into the City of Edinburgh Council. The report highlighted a number of key achievements and areas for the Council to improve since the 2016 Best Value Audit and reflects on this as mixed progress.

Best Value and Strategy and Vision

1.34 The key achievements outlined in the Best Value Assurance report include:

1.34.1 The Council's ambitious plans for the City, specifically, referencing the Council's Sustainability Programme, approach to tackling poverty, major housing and community regeneration projects in Fountainbridge, Meadowbank and at Granton Waterfront; retail, hospitality and cultural developments, such as the St James Quarter; and extending the tram network;

1.34.2 The Council's long track record of maintaining revenue expenditure within budget;

1.34.3 Aspects of leadership and service performance. Specifically, refencing improved performance across many KPIs – schools and education, waste and cleansing and time taken to process benefit and grant claims;

1.34.4 Improvements in asset management, procurement and risk management.

1.35 The Best Value Assurance report also notes areas where further progress is required:

1.35.1 To better align strategic priorities;

1.35.2 The implementation of effective community planning governance arrangements, the pace of change within the Community Planning Partnership and community empowerment;

1.35.3 The Council's approach to self-assessment, continuous improvement and public performance reporting; and

1.35.4 Long-term financial planning and workforce planning.

1.36 The Chief Executive put into place an improvement plan for all the areas of improvement outlined in the Best Value Audit report. As outlined above, the Business Plan has been created to ensure strategic priorities are aligned to a set of key priorities. Changes have been made to ensure the Council is working to the business plan, including senior management structural changes and work will continue to align work streams and governance with the Business Plan and the priorities within.

1.37 As outlined earlier, the Best Value report highlighted that the Council and its partners had not established effective community planning governance arrangements. The report acknowledged that it was too early to conclude if the review undertaken in 2019 would effectively support the Partnership to deliver the Local Outcome Improvement Plan (LOIP). There was further commentary on the Partnership not delivering effective Local Improvement Plans. The Edinburgh Partnership has considered the recommendations outlined in the Best Value report and has agreed a series of actions to address the concerns, with a number of these being led by the Council. This includes a partnership plan to deliver the 20 minute neighbourhood model, strengthening the resourcing and capacity to support neighbourhood networks and developing a framework for collaboration with the Edinburgh Association of Community Councils and Community Councils themselves.

1.38 A new integrated planning and performance framework was approved in June 2021. This aims to ensure that the Council's priorities and outcomes as established by the Business Plan are translated into clear actions and performance measures which are monitored, actioned and delivered. The framework aims to create a culture of robust performance management and continuous improvement. The approach embeds a "golden thread" among the Business Plan, annual directorate and divisional plans and colleague annual performance conversations. Performance scorecards and trend dashboards will also be aligned to plans and monitored regularly. A Council performance report would be considered at the Policy and Sustainability Committee every four months and the public performance reporting information would also be improved.

1.39 The Council agreed a new People Strategy in April 2021, supporting the new Business Plan and aligned to the key priorities. The Plan sets out what

employees should expect from the Council as their employer and what the Council expects from its workforce. The Plan has three strategic themes:

1.39.1 Living our behaviours;

1.39.2 Maximising our capacity and performance; and

1.39.3 Enhancing our colleague experience.

1.40   The People Strategy should also be cross-referenced with the Strategic Workforce Plan 2021-2024 which sets out how the Council addresses the gaps between its current workforce and the future workforce needed to meet the priorities of the Business Plan.

Decision Making

1.41   During Covid remote meetings were established to allow for the committee system to operate whilst physical distancing rules were in place. In 2021-22, as the rules surrounding physical distancing relaxed, hybrid meetings were trialled to allow for physical meetings to resume but keeping the added benefits of flexibility by allowing some members and officers to join remotely. These meetings were successful and, although meetings have continued to take longer than pre-Covid, the system has run effectively, with meetings continuing to be webcast and available to the public in the archive. To reduce the impact on staff and elected members, changes were made to Standing Orders to manage the time taken at committee whilst still ensuring that effective scrutiny could take place. Hybrid meetings are set to continue in a post Covid environment and Standing Orders will be reviewed in 2022 to determine whether the changes implemented during the Pandemic should continue.

1.42   It should be noted that although meetings were able to take place successfully during the pandemic, the meetings were longer and relations between members declined during this period.

1.43   The Council undertook an audit, carried out externally, into the effectiveness of its Governance, Risk and Best Value Committee. A number of weaknesses were found, and these findings will be built into the review of the Council's political management arrangements for the new Council following the local government elections. Councillors from the committee and across the Council embraced the audit and saw it as a real opportunity to look at the strengths and weaknesses of its scrutiny and improve the committee structure.

1.44   Self-evaluation workshops were carried out for all the executive committees and the Governance, Risk and Best Value Committee. This was a recommendation from the Governance, Risk and Best Value Committee audit. The workshops considered the terms of reference for their committee, the balance of reporting, time spent at committee, the membership of the committee and training. The findings of each workshop were considered by

the respective committees and these findings would go into the consideration of the political management arrangements following the elections. The workshops were a useful exercise and, although each workshop differed in its value, they allowed an opportunity for elected members to reflect and discuss the committee system and how it operated. Further feedback was also taken from a survey of members and exit interviews with those councillors standing down at the election.

1.45   The Council has extensive governance at officer level to support operational decision making. The current system has evolved through custom and practice and can sometimes be unwieldy and difficult to navigate. Although it can be resource intensive, it does ensure that there is sufficient oversight of major decisions. However, improvements could be made to ensure there is a structure in place that is more efficient and better encourages cross-directorate working.

1.46   Work has been undertaken in the early and middle of 2022 to prepare for Council following the Council elections. This has included preparing for how a new programme of work could be supported, a revised business plan, a medium term financial plan and new political management arrangements. Work was commenced earlier than usual so as to allow this work to inform discussions between groups following the election.

Internal Controls

1.47   The Internal Audit team operates in accordance with CIPFA's Code of Practice for Internal Audit and the Public Sector Internal Audit Standards (PSIAS). The team undertakes an annual work programme based on an agreed audit strategy and formal assessments of risk that are reviewed regularly. During the year, the Chief Internal Auditor reported to the Service Director: Legal and Assurance but had free access to the Chief Executive, all Executive Directors and Elected Members along with direct reporting to the Governance, Risk and Best Value Committee.

1.48   Each Executive Director has reviewed the arrangements in their directorate and reported on their assessment of the effectiveness of control arrangements, together with any potential areas requiring improvement, to the Chief Executive. Where improvement actions are identified, an action plan will be developed and will be subject to regular monitoring. In reviewing the overall governance framework, the Council has also considered relevant third-party reviews and recommendations. Assurance has also been taken from each organisation's most recent audited accounts, together with the Council's detailed knowledge of these organisations as a consequence of their continued involvement.

1.49   Each directorate's assurance schedule is scrutinised by the Governance, Risk and Best Value Committee.

1.50   The Council carries out a review each year of the Corporate Governance Code which is then scrutinised by the Governance, Risk and Best Value Committee (August 2021). The Corporate Governance Code outlines the Council's internal controls and is aligned with the questions in the annual assurance schedules that are issued to directorates. In addition to the Code a self-assessment is carried out which scores the design of the controls in place. The aim is to provide a subjective picture of the quality of the design of controls which can then inform the full picture when looking at whether directorates have implemented the relevant controls. There is also a benefit of senior officers discussing, reflecting and rating the Council's controls.

1.51   The Chief Internal Auditor has highlighted in her 2020/21 annual opinion that the weaknesses identified in internal audit reports are, in part, attributable to and/or exacerbated by a lack of capacity and skills to support effective governance; risk management; control; and assurance activities within first line divisions and directorates. The Chief Executive and Executive Directors have acknowledged that additional resource is necessary to strengthen the Council in these areas and gave a commitment to add additional resource to address the situation. These weaknesses are recognised by directorates in their annual assurance returns. In response, a first line governance and assurance model has been implemented on a permanent basis across the Council. The objective of the new model is to address the concerns highlighted in both current and recent Internal Audit annual opinions in relation to lack of capacity and skills within first line divisions and directorates to ensure that key controls; governance; and risk management processes are consistently and effectively applied, by increasing first line capacity, and first and second line assurance across these areas. Recruitment of staff to these areas has taken considerable time and as a result the full framework required to support the governance and assurance model has not yet been completed. Directorates have increased support in their areas which has brought an immediate improvement, in particular in the completion of audit actions. However, it will be in 2022/23 when the framework will be implemented and an analysis can begin on its impact.

1.52   The Council had asked Susanne Tanner QC, supported by the legal firm Pinsent Masons, to conduct an independent review into the Council's whistleblowing and organisational culture. The review findings were considered by the Council in December 2021 with a report in February 2022 from the Chief Executive setting out how the recommendations in the review would be taken forward. There are a number of significant recommendations which cover a lot of key areas in the Council. Implementing these recommendations will take time, for example there are a number of HR policies that require to be reviewed in light of the Review and this will take approximately 18-24 months to complete. As a result, no comment on the success of the implementation plan is made in this year's statement.

1.53　The Council's whistleblowing arrangements continue to operate with oversight from an independent external service provider, with the autonomy to decide who investigates the concerns raised. The Governance, Risk and Best Value Committee receives a quarterly update on whistleblowing and the whistleblowing policy is reviewed annually by committee. The whistleblowing policy is currently being reviewed and will take on board the recommendations of the Cultural Review. The Council's approach to investigations will also be changed through the recruitment of an investigatory team as recommended by the Tanner Review. This will replace the current practice of managers taking on an investigatory role and this will cover both whistleblowing and HR matters.

1.54　External Audit had previously highlighted the importance of adhering to approved member-officer protocols in respect of sensitive information and the importance of all Councillors and senior officers having a clear understanding of their respective rights and responsibilities in relation to information held by the Council. A review of the Member/Officer protocol had commenced but completion of the revised document was delayed by Covid-19 and a subsequent delay pending the publication of the revised Councillors' Code of Conduct. Work has recommenced on the document and is expected to be considered by the Council in Summer 2022. The delay to the agreement of this document has been significant but there is a benefit to the new protocol being agreed by the new Council following the local government elections.

1.55　The Council agreed a new Consultation Policy in April 2021, recognising the need to strengthen community engagement but also introduce more robust controls to manage significant consultations. The policy strengthens the management and governance of consultation activity by introducing a sign off process to ensure oversight and challenge at an early stage. The policy has undertaken a review that will be considered by committee in summer 2022. The policy and framework have provided additional support and guidance for Council officers when conducting a consultation. The framework also includes a self-assessment exercise and a Panel to consider significant consultations with an escalation to the Corporate Leadership Team for those consultations rated highest in the criteria. The review of the Policy found that the policy itself was understood widely by officers and the additional guidance and support was beneficial. The review did however note that there was often confusion between what constituted engagement and what was consultation, and that the standard 12 week consultation period was too inflexible for smaller consultations. The implementation of the Consultation Policy and framework has supported the improvement of consultations from the Council, it has provided consistency and guidance and raised the overall quality of Council consultations. The consultation advisory panel and the control and escalation aspect of the framework adds a layer of assurance and is a practical tool in improving the quality of consultations. Improvements following the review will

make the policy and framework more agile and flexible, but caution should be exercised that the control elements of the framework are not diminished by the additional flexibility.

1.56   External Audit concluded in the Annual Accounts for 2020-21 that the governance arrangements at the Council were satisfactory and appropriate.

1.57   In compliance with standard accounting practice, the Section 95 Chief Financial Officer has provided the Chief Executive with a statement of the effectiveness of the Group's internal financial control system for the year ended 31 March 2022. It is the Chief Financial Officer's opinion that although a degree of assurance can be placed upon the adequacy and effectiveness of the Group's systems of internal financial control, further improvements, including some embedding of actions taken in response to previous recommendations, are still required.

1.58   2021/22 is the first full year of implementation of the requirements of the CIPFA Financial Management Code. The Code is designed to support good practice and assist councils in demonstrating their financial sustainability and resilience by setting out expected standards of financial management. The Chief Financial Officer's initial assessment highlighted a number of key improvements contributing positively to the Council's financial resilience and stability. However, there continues to be a need for additional savings proposals to be brought forward to maintain the Council's financial sustainability which will require increasingly difficult choices about the Council's priorities including service reductions. Finally, the Chief Financial Officer concluded that further improvements to the effectiveness of current service arrangements in demonstrating value for money were required.

1.59   The urgent need to initiate a structured medium to longer-term savings programme was highlighted in both the Council's Best Value Assurance Report and the external auditor's report for 2020/21. In recognising this urgency, a dedicated project lead has been appointed. Directorates have been requested to identify potential options, captured by means of a standard template detailing service and performance impacts, risks and dependencies, with reference to the priorities set out in the Council's business plan. Given the extent of the financial challenge, members will likely need to make increasingly difficult choices about the Council's priorities, including considering service reductions, across all service areas to maintain expenditure in line with available income."

1.60   The Chief Internal Auditor's Annual Opinion for the year ended 31 March 2021 stated that significant improvement was required as significant and/or numerous control weaknesses were identified in the design and/effectiveness of the control environment and/or governance and risk management frameworks across the Council. This was a limited opinion, recognising that the plan delivery had been curtailed due to the Covid pandemic. The Chief

Internal Auditor noted that this was the Council's fourth 'red' rated opinion, although progress had been made with the move from the middle towards the lower end of the category. The Chief Internal Auditor noted that whilst all 26 historic findings that were reopened in June 2018 have now been closed, an increase in the percentage of overdue IA findings as at 31 March 2020 is evident, together with a deterioration in their ageing profile. Consequently, further focus is required to ensure that the Council consistently addresses the risks associated with open IA findings by implementing agreed management actions within agreed timeframes.

1.61 Meeting the demands of new data protection legislation has led to significant increases in the volume of data protection work. The work necessary to deal with complex subject access requests has increased, significantly reducing the number of staff working on Freedom of Information requests. This has resulted in several resource and operational challenges which have had a detrimental effect on related statutory obligations and associated timescales. Remedial plans continue to be maintained to reduce risks in this area and to ensure that statutory obligations are met.

1.62 Work is still outstanding on reviewing how the Council works with its ALEOs, in particular examining the shareholder agreements and Service Level Agreements in place to ensure a greater degree of consistency, alignment with key outcomes and clarity of relationship. The lack of an ALEO framework is a weakness that requires to be resolved and it is anticipated that specialist resource will be brought in to assist in this work in 2022/23.

1.63 Following concerns raised at committee, the Council began looking into its governance arrangements regarding the Trusts where it is sole trustee. In August 2021 a report was considered into the governance of trusts run by the Council and in particular Lauriston Castle Trust. The review into governance found that improvements were required both to the Council's governance arrangements surrounding trusts and to the governance of the trusts themselves. A further report is expected in the Summer of 2022 on implementing the recommendations of the review.

1.64 There are established, well exercised, resilience incident management processes and protocols in place to effectively plan for and respond to emergencies. The Council Resilience Group for example drives and monitors the Council Resilience Management Programme, reporting to CLT, with the flexibility to convene working groups as required, for example, for Brexit planning. In the event of an incident there is a flexible framework, including directorate and Council-wide levels, that can be stood up as required, reporting to CLT and the appropriate committee(s). The Council feeds into Scotland's resilience structures on a multi-agency basis, through the Lothian and Borders Local Resilience Partnership and East of Scotland Regional

Resilience Partnership. The incident management used for Covid-19 is a good example of the effectiveness and agility of these structures.

1.65 The Council could improve its reporting and publication of integrated impact assessments (IIAs). There is a need for the Council to evidence how these IIAs are an integral part of decision making, reporting this to committee and this been scrutinised as part of the decision making process. There is a robust process in place, alongside guidance for officers in how and when IIAs should be carried out which supports officers in the completion and reporting of IIAs but there remains a gap in implementation.

1.66 A new enterprise risk management policy was agreed in November 2021. The policy sets out how risk management should be considered when making both strategic and operational decisions and delivering services; the Council's risk culture; the requirements for effective application of the operational risk management framework across Council services; risk management structures and responsibilities across the Three Lines model (including those of senior management); and ongoing risk management assurance arrangements. The policy is a robust policy and should support identification and realisation of the improvements and benefits associated with both planned and unexpected opportunities, whilst protecting the Council. However, the success of the policy will be determined by its implementation across Council directorates, and it is still too early in its application and embedding across the organisation to judge its success.

1.67 The Council has adapted how it works on some of its key priorities enabling it to work flexibly with its partners with a view to achieving its ambitious objectives. An example of this is the Poverty Commission where the Council has worked with a newly created independent body and chair and agreed that recommendations proposed by the Commission will be used to inform future Council policies and actions to prevent, reduce, and mitigate poverty in Edinburgh. A further example is the governance arrangements that have been set up to support the Climate Strategy and involve partners across the city. A silo Council approach for example would not deliver the necessary change to realise the Strategy's objectives and the approach taken ensures leadership comes from different organisations and that city-wide solutions can be explored. The flexible governance approach taken in these two examples has allowed the Council to be informed by external experts from across a range of sectors with the aim of achieving better outcomes, work closely with partners to explore city wide solutions while respecting the separate decision making processes for each organisation.

1.68 Partnership working strengthened considerably over the pandemic and engagement with local communities has been more challenging, there have been progress in how the Council works with communities. The Council though is aware of the need to constantly improve how it empowers

communities and is reviewing its locality arrangements to see how it can best support this work.

The status of the previous year's actions is outlined below. Where actions are incomplete, they will be rolled forward and their progress will be monitored alongside the new actions.

Action	Action Owner	Status
To review, design and implement an officer governance structure for the Council aligned to the Council Business Plan.	Head of Democracy, Governance and Resilience	Work was commenced and paused until the political management arrangements were confirmed.
To review and propose a revised Scheme of Delegation to take into account senior management restructures.	Head of Democracy, Governance and Resilience	Completed
To create a revised planning and performance framework linked to the Business Plan	Head of Strategic Change and Delivery	Completed
To report on the progress with the first year's Implementation of the new Equality and Diversity Framework 2021-2025	Chief Executive	Moved to the statutory review period of two years

Review of the governance arrangements regarding the Council's trusts	Executive Director of Corporate Services	Review has been completed but implementation of review has not yet been confirmed
Initiate development of a cross-Council savings programme, aligned to the priorities set out within the Business Plan, to address significant estimated funding gaps in 2023/24 and 2024/25	Service Director – Finance & Procurement and Head of Strategic Change and Delivery	Relevant work is underway.
Review of the Council's service level agreements and shareholder agreements with its ALEOs	Executive Director of Corporate Services	Delayed until resource can be identified
Review of the political management arrangements of the Council	Chief Executive	This is targeted for October 2022

Following the review of effectiveness and the assurance statements from directorates and ALEOs, the following actions have been identified to improve the Council's governance arrangements:

Action	Action Owner	Action Deadline
Implementation of the Risk Framework	Service Director: Legal and Assurance	April 2023
Roll out of governance and assurance framework	Service Director: Legal and Assurance	Design by October 2022 and implemented by March 2023
Agreement of the Member/Officer protocol	Service Director: Legal and Assurance	October 2022
Review of the Scheme of Delegation to Officers	Service Director: Legal and Assurance	October 2022
Review of Political Management Arrangements	Service Director: Legal and Assurance	October 2022

Implementation of the recommendations from the Tanner Review	Chief Executive, Service Director; Human Resources and Service Director: Legal and Assurance	Various
Implementation of Corporate ALEO framework	Service Director: Legal and Assurance	April 2023
Implementation of the review into governance of Trusts	Service Director: Legal and Assurance	April 2023
Development of a medium term financial plan	Executive Director of Corporate Services	February 2023

Conclusion

1.69   In conclusion, the Council's governance and control framework provides a satisfactory level of assurance. The Council understands its areas for improvement and there are robust arrangements to deal with issues when they do arise. Improvements are needed in certain areas to ensure that the Council's controls are implemented and embedded fully and in particular capacity issues in services have to be overcome. There has though been a strong commitment shown by the Chief Executive and Executive Directors in providing additional resource to address these weaknesses. Covid-19 continued to put a considerable strain on services, but the Council has put in strong processes to manage these pressures and managed to resume services based on priority. However, the Council must continue to be ambitious and committed to improving its governance, as budgetary and resource pressures increase, to ensure that it continues to operate effectively.

Certification

1.70   It is our opinion that, in light of the foregoing, assurance can be placed upon the adequacy and effectiveness of City of Edinburgh Council and its Group's systems of governance. The annual review demonstrates sufficient evidence that the Code is operated effectively, and the Council and its Group comply with the Local Code of Corporate Governance in all significant respects.