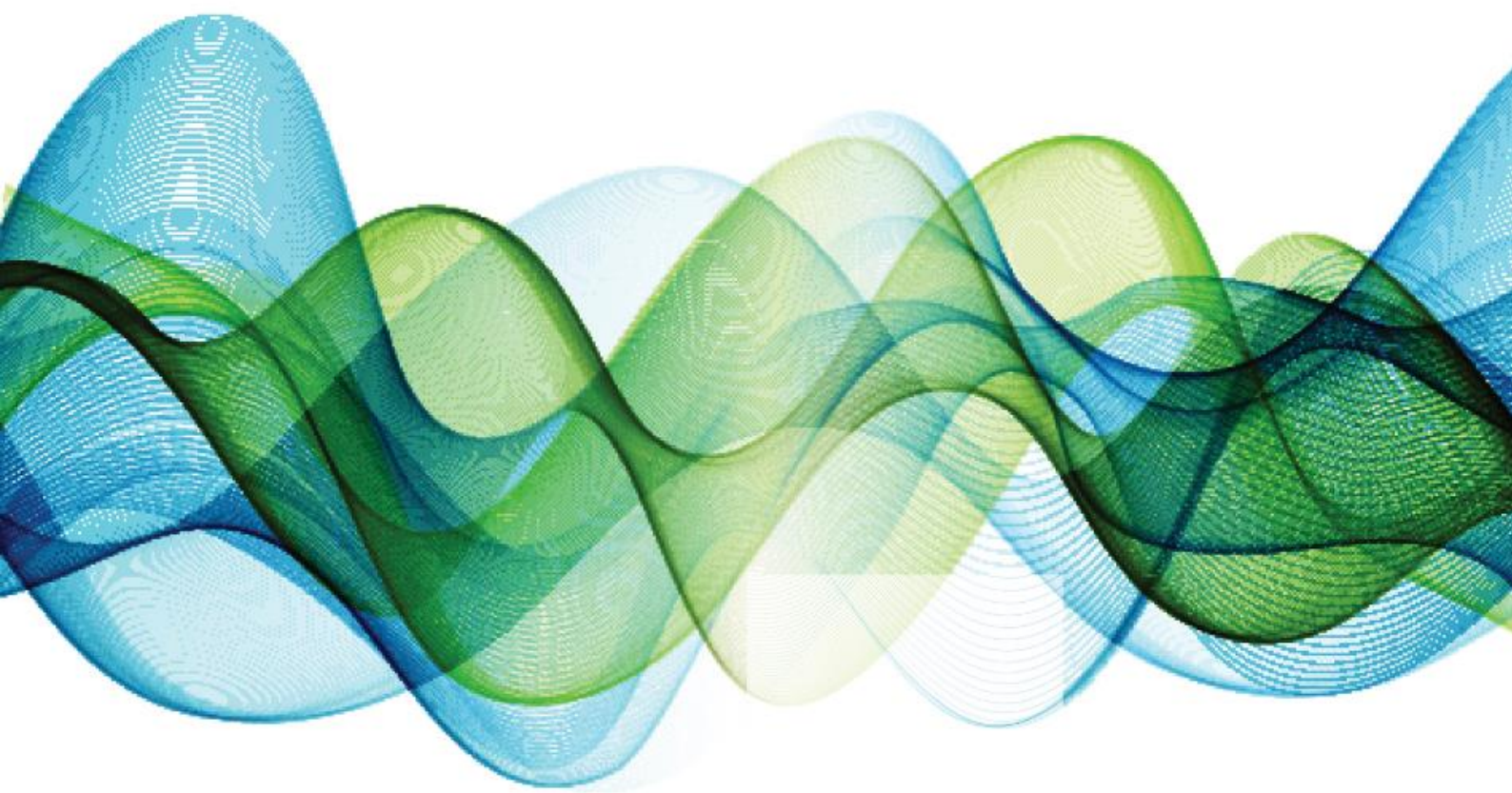


Annual Governance Statement



Date issued
October 2020

Prepared by
Duncan Wilkinson
Chief Internal Auditor

Milton Keynes Council (MKC) has an ambitious vision to ensure MK continues to be a special place in which to live, learn and do business. For a number of years now, we are managing increasing demand on critical services and significant reductions in our funding.

Effective service commissioning and delivery has never been more important. Added to this are financial implications from the lock down to combat the onset of the Coronavirus.

Good governance has never been more important to ensure we are doing the right things, in the right way and for the right people.

It supports good services and gives the public confidence in those services. It also provides a structure to understand when things have not succeeded as we might have hoped without creating a blame culture that can stifle innovation and actually undermine service delivery.

The effectiveness of MKC's governance framework has been reviewed and as Leader and Chief Executive we are pleased to report that the overall assessment is that this Annual Governance Statement (AGS):

- Accurately summarises the Council's governance mechanisms, and
- Having reviewed their operation for 2019/20 properly concludes that MKC's governance environment is a satisfactory framework to maintain effective control.

This AGS also recognises the increasing pressures and challenges faced by the Council with appropriate actions and plans to address the weaknesses identified and to ensure continuous improvement in the governance system.



Councillor Peter Marland
Leader of Milton Keynes Council



Michael Bracey
Chief Executive – Milton Keynes Council

1 What is Corporate Governance?

- 1.1 Corporate Governance refers to the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.
- 1.2 *International Federation of Accountants / CIPFA 2014: International Framework: Good Governance in the Public Sector* further states that to deliver good governance in the public sector, both governing bodies and individuals working for them must try to achieve their entity's objectives while acting in the public interest at all times.
- 1.3 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.
- 1.4 Our governance arrangements aim to ensure that we meet our objectives and responsibilities in a lawful, timely, open, inclusive and honest manner and that our public money and resources are safeguarded, properly accounted for and used economically, efficiently and effectively.

2 Conclusions - How do we know our arrangements are working?

- 2.1 To monitor the effectiveness of our corporate governance systems, we have approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA / SOLACE 2016: *Delivering Good Governance in Local Government: Framework 2016 Edition*.
- 2.2 This code is subject to review, challenge and endorsement by Audit Committee or scrutiny panels as appropriate. A copy of the code can be obtained from the Monitoring Officer.
- 2.3 Each year we review our corporate governance processes, systems and assurances on the governance framework to create an annual governance statement. The issues identified during the review are highlighted in the action plan at the end of this statement.
- 2.4 We review our compliance with the approved code of corporate governance, consulting with and obtaining positive assurances from a member group representing each of the major parties, the corporate leadership team, statutory governance officers and other internal governance processes.
- 2.5 In addition we also reflect and take into consideration the work of internal and external audit and other inspection bodies completed during the year.
- 2.6 This AGS builds upon those of previous years. It summarises the key governance framework which has been in place for the year ended 31 March 2020 and up to the date of approval of the statement of accounts and records any significant governance issues that need to be addressed over the coming year.
- 2.7 As we are continually changing and seeking improvement it is important that the governance arrangements are robust and flexible enough to manage change effectively and positively support our aims and objectives.

It is recognised that the governance framework cannot eliminate all risk and therefore only provides reasonable and not absolute assurance of effectiveness.

3 Governance Framework - How MKC works

- 3.1 The governance framework comprises the systems, processes, cultures and values by which MKC is directed and controlled, and through which we engage with and lead the local community. The framework brings together an underlying set of legal requirements, good practice and management processes.
- 3.2 The constitution sets out how MKC operates, how decisions are made and the processes that are followed to ensure that decision making is efficient, transparent and accountable to local people. It documents the roles of officers and members. Changes to the constitution were approved at Council on 20 March 2019, following an independent health check review. It is available via the [Committee Management Information System](#)
- 3.3 The constitution further sets out the role of key governance officers, including the statutory posts, and explains the processes that are in place to ensure that MKC meets its statutory obligations and also for the provision of advice to councillors, officers and committees on staff management, financial, legal and ethical governance issues. The statutory posts / roles are:

Statutory Role:	Accountable To:
Director of Paid Service	Chief Executive
Chief Finance Officer (Section 151)	Director Finance & Resources
Monitoring Officer	Director Law & Governance
Director of Social Services (Adult Services Only)	Director Adult Services
Director of Children's Services	Director Children's Services
Director of Public Health	Director of Public Health
Chief Audit Executive	Chief Internal Auditor

3.4 Key Governance officers' roles and responsibilities

- Director of Finance and Resources as Chief Finance Officer, leads and directs the financial strategy of the Council and has a key responsibility to ensure that the council controls and manages its money well.
- Director of Law and Governance as Monitoring Officer, has responsibility for ensuring the lawfulness of decisions taken by the Council as detailed in the Constitution and for ensuring the Council complies with its duty to promote and maintain high standards of conduct by members and co-opted members of the authority.

- Chief Internal Auditor as Chief Audit Executive is required to provide an independent opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it.

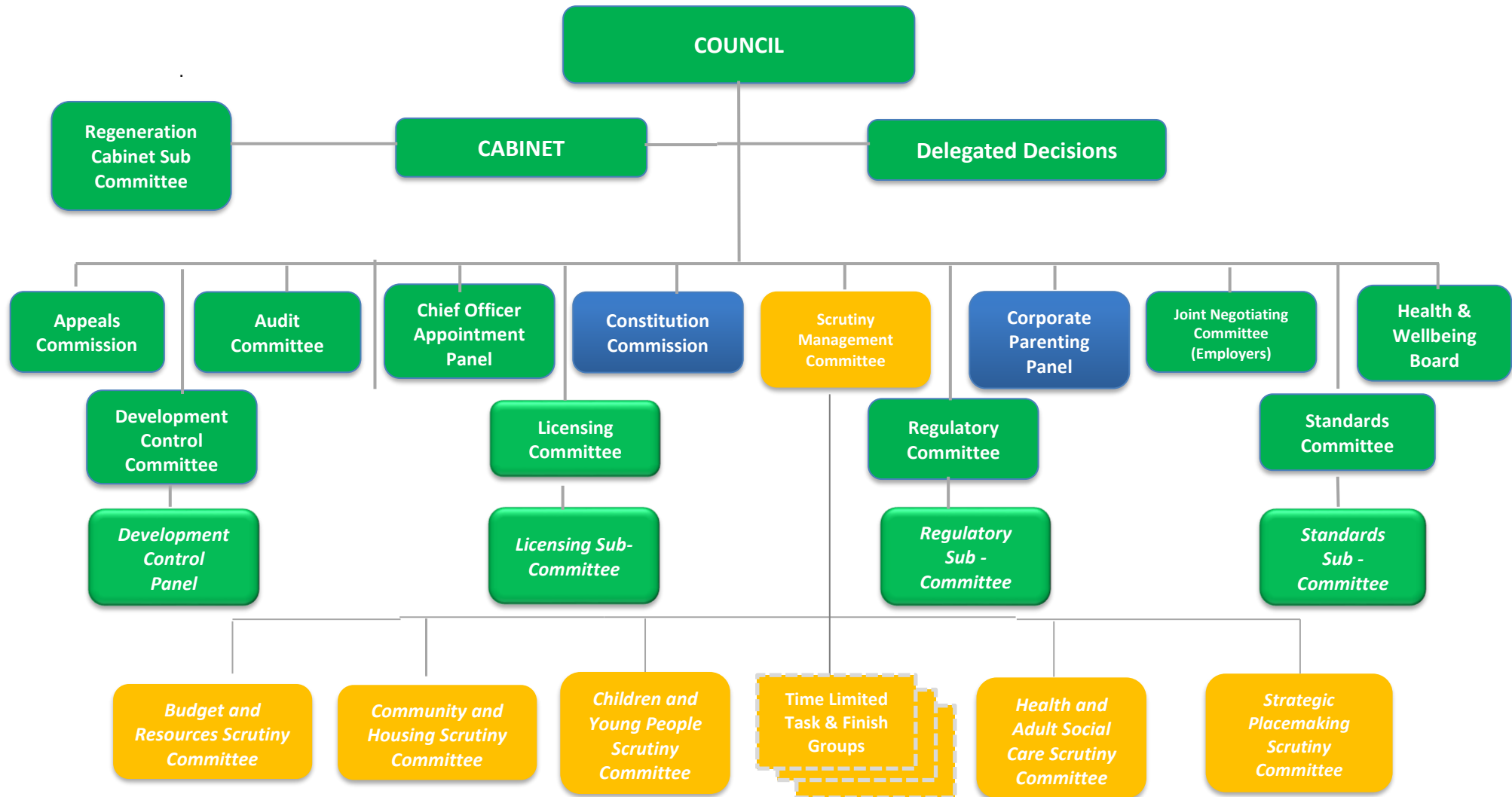
3.5 All Members have an important role to play in representing their constituents, as well as acting together as the Full Council. The Council comprises 57 Councillors. Milton Keynes Council is under no overall control which means that no one political party has over half the available seats required for an overall majority and the political make-up is currently

- Conservatives – 17
- Labour - 23
- Liberal Democrats - 15
- Independent - 1

(Note there is 1 vacant seat)

3.6 The public has wide access to Council meetings through attendance, submission of deputations, questions and opportunity to contribute to debates. Milton Keynes also has a Local Democracy Reporter, who investigates, scrutinizes and reports on MKC decisions and activities providing additional news coverage for citizens.

Overview of MKC committee structure (2019-20) as at 28/02/20



Key: ■ Decision making committees ■ Scrutiny Committees ■ all other committees

- 3.7 **The Council** - At full Council meetings, normally open to the public, Councillors decide the Council's overall policies and set the budget each year. At the Annual Council Business Meeting, the Council appoints its Scrutiny and Regulatory Committees, and during the year, the full Council holds the Cabinet, the Scrutiny Committees and the other Committees to account.
- 3.8 **The Executive** - Most decisions are the responsibility of the Executive (the Cabinet – which is currently made up of eight Labour Group Members, including the Leader of the Council). The Executive can make decisions in three ways, either at a meeting of Cabinet (either a full meeting or a Sub-Committee), an individual Cabinet Member deciding, or an Officer deciding, having consulted with the relevant Cabinet Member.
- 3.9 **Scrutiny committees** -Scrutiny is a key part of the democratic process, monitoring Cabinet policy decisions and with a key role in advising on the development of policy. Scrutiny also has a broader remit to examine issues affecting MK and the remaining 49 members not within the Cabinet.

There are five scrutiny committees and a management committee which supports the work of the Cabinet and MKC as a whole. They allow the public to have a greater say by holding meetings in public, and enquiring into matters of local concern. These lead to reports and recommendations which advise Cabinet and MKC on its policies, budget and service delivery. Scrutiny committees may also be consulted by Cabinet or Council on forthcoming decisions and the development of policy.

The committees also monitor the decisions of Cabinet and Cabinet members.

- 3.10 **Audit Committee** - This Committee undertakes the core functions, and complies with best practice as detailed in CIPFA 2018: *Audit Committees – Practical Guidance for Local Authorities and Police* and has oversight of the delivery (as the 'Board') of the Public Sector Internal Audit Standards (PSIAS).

The committee takes a positive and proactive approach to governance and reviews progress on the AGS action plan, annual internal audit plan, anti-fraud arrangements including whistleblowing and risk management. The chair of the committee provides an annual report to full Council which outlines the work of the committee during the year.

- 3.11 **LGSS Joint Committees** - MKC joined the LGSS Shared Service Partnership as a full joint committee partner in April 2016 for the delivery and sharing of a number of back office / support functions including:

- Human Resources
- Finance
- ICT
- Revenues & Benefits
- Procurement
- Internal Audit, Risk Management and Fraud
- Insurance

LGSS is managed by a joint committee where MKC has three Councillors appointed to represent the Council. It is a decision-making body with delegated powers from each partner. These delegations include responsibility for setting the LGSS budget, agreeing a service plan, monitoring performance and quality of service delivery and making decisions on expenditure and commercial arrangements.

The LGSS Joint Scrutiny Working Group reviews the operations and performance of LGSS.

- 3.12 In addition, the LGSS Revenue and Benefits Joint Committee was established pursuant to an agreement between Milton Keynes Council and Northampton Borough Council. The Joint Committee's remit is to have responsibility for the provision of Revenue and Benefits services to the Councils through the LGSS arrangements (a separate Delegation and Joint Agreement was established).
- 3.13 A review was jointly commissioned at the end of 2019 by the LGSS partner councils – Cambridgeshire County Council, Milton Keynes Council and Northampton County Council to assess whether the LGSS Sharing model that was in place (including financial aspects and services), remained relevant with changes in each Councils' future direction.

The decision from the review on 01/10/20 was that each Council wanted something different for their professional and enabling services, and for these to return to the leadership of each council. However, a clear business case remained for sharing important transactional services, under a 'Lead Authority' model managed and delivered by one of the councils to the others.

- 3.14 **Other stakeholder involvement** - MKC appoints representatives to various joint and external bodies, where we either have formal responsibilities and / or our wider community role is best delivered via such partnerships. These include Fire Authority, Police and Crime Commissioners' Office, Health and Wellbeing Board (with NHS partners) and the South East Midlands Local Enterprise Partnership (SEMLEP), Multi Agency Safeguarding Board.
- 3.15 **Council owned companies** - At the beginning of the year MKC owned two Limited Liability Partnerships (LLPs), one of which has seen material changes in its functions:

Milton Keynes Development Partnership (MKDP)

MKDP was established in 2012, and approximately £32m of assets purchased from the Homes and Communities Agency transferred to the LLP in January 2013. The purpose of MKDP is to deliver optimum economic value to the citizens of MK in line with the MKC's corporate plan and economic development strategy.

The governance arrangements for MKDP are defined within the members agreement. These include the requirement for a Board made up of councillors and independent members to which the MKDP Chief Executive is responsible.

YourMK

YourMK is a jointly owned partnership between MKC and the Mears Group PLC. In August 2018 Cabinet approved bringing the asset management and client monitoring function of the repairs and maintenance service back in-house to the Council, together with three posts that performed the monitoring role. This process concluded on 1 October 2018 at which point the Council formally took back the client function.

YourMK are still responsible for oversight and management of the Regeneration / Estate Renewal of the Council's 11,500 homes and land within the HRA. The agreement with YourMK originally ran until 2031 and sought to make lasting changes in areas of the borough through investment and community engagement.

The governance arrangements for YourMK are defined within a members' agreement. These include the requirement for a board consisting of up to three appointed representatives from MKC and Mears Group PLC.

4 Improvements in governance during the year.

- 4.1 Improvements made in the governance framework during the year are documented in the reviewed Code of Corporate Governance at Appendix B

5 Impact of Covid 19 on governance of the Council.

- 5.1 For the majority of the year 2019/20 governance arrangements were as described in the Code of Governance and the framework detailed above. However, during March 2020, the significant impact of the coronavirus pandemic (Covid-19) required a rapid re-consideration of how the Council's governance structures operated, to facilitate an appropriate response.
- 5.2 Following the national declaration of a lockdown, the Council focused on its health response to the pandemic, invoking its business continuity and crisis management arrangements. UK regulatory guidance was revised at pace and as such the evolving Covid-19 situation posed some practical challenges in terms of governance, transaction execution and statutory compliance commitments and heightened risk of fraud.
- 5.3 Examples of changes to the governance arrangements included the following:
- Elections due in May 2020 were postponed until May 2021 in line with government direction.
 - the Coronavirus Act 2020 enabled all local authority meetings to be held remotely so that essential decision-making can continue. Virtual meetings were convened with a reduction in the number of meetings for some committees.
 - The Council moved to Gold Command and Control and Silver Incident Management arrangements and streamlined their decision-making processes in order to respond quickly and effectively to situations as they arose. A Financial Authorisation Board was set up with the remit to make urgent decisions relating to all financial matters relating to

COVID 19 and that these decisions are taken in line with the Council's constitution and scheme of delegation.

A number of our policies and procedures were amended to ensure that communities, business and individuals were supported through the pandemic. Examples include:

- Creation of a stand - alone local support service
- Introducing greater flexibility in procurement and contracting protocols in line with guidance from Government Procurement Policy Notes
- Accelerating payment times to support suppliers and providers
- Relaxation of end stage debt collection measures
- Relaxing of sickness absence policy trigger points in relation to absence due to Covid-19 and support to individuals with care responsibilities
- Facilitation of homeworking on a larger scale than previously

5.4 A Covid-19 Management Action Plan was produced by the Corporate Leadership Team to manage the risks of operational response delivery. The Plan states - "To continue to operate successfully and effectively as an organisation, a rapid, radical redesign of our ways of working, restructuring and redefining our relationships with our residents, partners and suppliers is needed and an action plan has been put in place and will draw on the lessons we have learned during this time

5.5 The appropriateness of the Council's response will continue to be monitored throughout 2020/21 along with review of appropriate time to exit these arrangements, revise current policies or re-establish standard regulatory protocols. The Covid-19 pandemic has significantly impacted the Council, its finances and our residents, requiring us to review the way we deliver services and explore opportunities for new service delivery models in order to meet the needs of our residents.

6 Review of effectiveness

MKC has a responsibility to conduct an annual review of the effectiveness of its governance framework, including the system of internal control.

This is informed by:

- Assurance from the work undertaken by members as the Council and Cabinet (6.1)
- Assurance from statutory officers and Corporate Management (6.2)
- Assurance from Internal processes and functions (6.3)
- Assurance from External Inspections and review functions (6.4)

6.1 Members Assurance

6.1.1 **Council Plan** - The Council Plan sets out how Milton Keynes Council will work to achieve its ambitions for Milton Keynes. Within it are the priorities the Council will address between 2016 and 2022 and a more detailed Delivery Plan showing what will be done and the main milestones along the way. The Milton Keynes Council Plan was approved at the Council Meeting of 8 June 2016 and updated at the meeting in June 2020.

6.1.2 **Full Council/Cabinet** – Meet monthly to take key decisions including approval of plan; to set the budget; agreed the MTFP; review the risk strategy. Agendas and papers are held online and available for public access via the Council Website. - CMIS

6.1.3 **Scrutiny Committees** – Meet monthly or quarterly, to scrutinise various aspects of the Council’s governance framework and activities. Agendas and papers are available on CMIS

6.1.4 **Audit Committee**

A well-established Audit Committee provides independent, effective assurance on the adequacy of MKC’s governance environment. All major political parties are represented on the committee, supported by a further three independent members.

Consistent with CIPFA best practice a self-assessment of the Audit Committee is undertaken annually.

A review of the effectiveness of the Audit Committee is ongoing. The number of completed surveys returned in July 2019 was insufficient to determine a clear perspective and the survey has been revised and a different approach taken, with all members of the Committee being asked to complete the survey during the next Committee meeting.

As a result of various unforeseen factors during the year the Committee was not able to deliver fully on its stated remit, due to planned meetings having to be cancelled. Delays in completion of the audit of the Financial Statements due to resourcing issues with the External Auditors; (September Meeting cancelled); the snap General Elections in mid - December 2019, with purdah coming into effect in early November 2019 (November meeting cancelled) and the COVID 19 pandemic restrictions in March 2020 (March meeting cancelled) resulted in only three meetings being held in the 2019/20 year.

Specifically, scrutiny of the risk management framework and financial statements has not taken place during the year.

6.2 Management Assurance

6.2.1 **Delivering the Council Plan** - Overall performance is measured against a clear delivery plan, which is an integral part of the Council Plan. The Policy, Insight and Communications team, drives delivery of the Council plan, working closely with Services to spread best practice, track and strengthen performance.

The Delivery plan which was updated in June 2020 sets out the implementation pledges and actions that will be undertaken over the period of the plan and will be accompanied by a detailed monitoring report.

6.2.2 **Key Governance Officers**– The key governance officers have been involved in the preparation of this statement and are satisfied that the arrangements in place have been working effectively for the most part of the year and that no matters of significance have been omitted.

- The Monitoring Officer has confirmed that there has not been the need to make a report concerning any proposal, decision or omission, that would give rise to unlawfulness or maladministration during the year.
- The Finance Director has confirmed that he has not had to take any formal actions in his role as Section 151 Officer during the year.

6.2.3 **Management Self Assurance** - Each Director was requested to provide a self-assurance statement in respect of 2019/20, supported by assurance received from their direct reports, that:

- They fully understand their roles and responsibilities;
- They are aware of the principal statutory obligations and key priorities of MKC which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of MKC's key priorities; and
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks.

All staff, in particular managers, are responsible for ensuring that laws and regulations are complied with and that the authority's policies are implemented in practice. The Monitoring Officer and the Legal Services Team monitor compliance with, and awareness of, key laws and regulations. Directors, and service heads are responsible for monitoring implementation of the council's policies.

6.2.4 **Council companies Assurance**

The MKDP Chief Executive and the board are responsible for the general management of MKDP operations. The board met during the year to review various reports etc.

In July 2018 the Council's appointed independent board members on Your MK Board resigned. The contract is now monitored through a

full suite of regular structured governance meetings that are minuted including:

- Monthly Operational meeting, chaired by the Council's Asset Manager, to consider and monitor day to day operational aspects of the contract with attendance from the council's Health and Safety team and Neighbourhood teams.
- Monthly Commercial meetings chaired by the Head of Asset Management and Investment monitoring contract spend and financial forecasts against budget. These meetings include the council's finance team and council appointed external cost consultants.
- Bi-monthly Housing Programme Board, chaired by the Director of Housing and Regeneration, to consider programme and budget issues, including overspends and underspends and any possible virements. These matters are reported to Cabinet through the financial reporting.
- Monthly Strategic Core Group, chaired by the Director of Housing and Regeneration considers areas including contract performance, KPIs, budgets, risks and strategic matters. It also considers any matters referred to it by the operational and commercial meetings

6.3 Other Internal Assurances

6.3.1 Performance Management - The Policy, Insight and Communications team works with all services to ensure the economical, effective and efficient use of resources. The team plays a key role in supporting delivery of projects and helps drive continuous improvement in the way in which functions are exercised, by having regard to a combination of economy, efficiency and effectiveness.

In addition, a number of governance mechanisms are in place to support performance management across the Council, which include:

- Monthly performance reporting to the Corporate Leadership Team;
- Quarterly updates to Cabinet on the delivery of the Council Plan;
- Performance management support to Department Management Teams in the form of monthly / quarterly dashboards.
- Quarterly performance reports to the Scrutiny Management Committee.

6.3.2 Delivery of Projects - As a Council MKC undertakes a significant number of both capital and revenue projects, to ensure that these have effective oversight as part of the governance processes, the Council has set-up The Portfolio Office, whose objectives and contribution to governance and assurance are:

- support projects and programmes and their Sponsors and managers by:

- development and ownership of the MKApproach to managing projects and programmes
- management, development and delivery of project management training to project staff
- development of a learning community through the PM Network
- mentoring, advice and support to project sponsors and managers through project workshops; acting as a critical friend to projects and programmes; sitting on key project and programme Boards; and providing impartial and credible analysis of projects and programmes.
- management and analysis of the quarterly Project Dashboard
- leading or contribution to Health Checks, Lessons Learned or Project Audits
- aid decision-making by:
 - developing and dissemination of Lessons Learned from completed projects, in particular those Lessons with cross cutting significance
 - involvement in validation of business case (i.e. START documents) as member of Programme and Portfolio Boards
 - providing informed and independent comment and advice to key Corporate Services on project and programme management
 - During 2018/19 the Council strengthened its project governance arrangements and put in place a Corporate Programme Board which has oversight of the various Programme Boards across the authority. The Council also adopted a Capital Strategy which sets out the Council's ambitions, approach and funding strategy.

6.3.3 Internal Audit - One of the key assurance statements MKC receives on the effectiveness of the governance environment is from the work of Internal Audit which provides independent and objective assurance across the whole range of MKC's activities. The opinion of the Chief Internal Auditor for 2019/20, detailed in the annual report is satisfactory assurance (See Annex A for definition). This is based on work completed during the year and assurances from reviews on the Council's Pandemic response in respect of the 12 months period ending 31 March 2020, and, taking account of all available evidence over the adequacy and effectiveness of the council's overall internal control environment

6.3.4 Risk Management - All councillors and managers are responsible for ensuring threats and opportunities are considered in the decisions they take. MKC has in place a formally approved risk management strategy. That strategy sets out a corporate risk appetite that is not risk averse but seeks to support decision making that consider

threats, identifies mitigations etc. in order to ensure opportunities are seized and delivered.

In support of the delivery of effective risk management arrangements, a corporate risk management system GRACE is used to capture all relevant corporate / directorate and project related risks.

Changes within CLT structures during the year and thus risks and risk owners have resulted in slippage in implementing the new approach. Work is ongoing with review and testing of adequacy of risk registers. Findings to be reported to Audit Committee.

- 6.3.5 **Information governance** –Assurances sought from the Senior Information Risk Owner (SIRO) in consultation with the Statutory Data Protection Officer confirm that an Information Governance Board is in place and working to oversee information governance arrangements.

6.4 External Inspection and Review Functions

- 6.4.1 **External Audit** - Ernst & Young LLP are MKC's appointed external auditor and were appointed for a further period under the Public Sector Audit Appointment arrangement from 2018/19. As well as an examination of MKC's financial statements, their work includes an assessment of the degree to which MKC delivers value for money in its use of resources.

The auditor opinion for 2019/20 is pending but anticipated to be an unqualified opinion in relation to MKC's 2019/20 statutory financial statements which include the single entity accounts for MKC and the group accounts incorporating MKDP. An unqualified value for money conclusion was also issued in relation to MKC's arrangements to secure economy, efficiency and effectiveness in its use of resources

- 6.4.2 **Peer Review** -In October 2018 the Local Government Association undertook a Corporate Peer Challenge and the results were reported to Cabinet on 5 February 2019. Positive feedback was provided with some challenges identified, specifically around support for councillors, improving corporate grip and capacity, defining some of the detail around the financial strategy, and clearly articulating the council's priorities to staff and partners. An Action Plan was also presented to Cabinet for follow up by the Chief Executive.
- 6.4.3 **OFSTED and CQC -Inspections** -The following inspections were undertaken by Ofsted and CQC from April 2019 to March 2020 and the judgements provided are as follows~:

Short Breaks (for adults with complex learning disabilities)	Outstanding								
Shared Lives (Shared Lives Carers supports adults with care and support needs)	Outstanding								
Furze House (provides short breaks for children and young people with disabilities)	Good								
Westminster House (residential children's home)	Good								
The Walnuts (residential children's home)	Good (from Inadequate; MKC took responsibility from April 2019)								
SEND (Special Educational Needs and Disabilities service)	Good								
Schools	<table> <tr> <td>Outstanding</td> <td>25%</td> </tr> <tr> <td>Good</td> <td>62%</td> </tr> <tr> <td>Requires Improvement</td> <td>7%</td> </tr> <tr> <td>Inadequate</td> <td>6%</td> </tr> </table>	Outstanding	25%	Good	62%	Requires Improvement	7%	Inadequate	6%
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Good	62%								
Requires Improvement	7%								
Inadequate	6%								

6.4.4 The 2019/20 Annual Local Government & Social Care Ombudsman's Annual Review letter was received on 22 July 2020 and the Ombudsman upheld 10 (13%) of the Council's complaints after detailed investigations were carried out, compared to 7 (9%) in 2018/19. There were no significant findings of maladministration to be reported to full Council.

6.4.5 The findings of a telephone based inspection by the Investigatory Powers Commissioner's Office (IPCO) published in July 2020 concluded that the Council had excellent knowledge and understanding of dealing with surveillance during investigations.

7 Significant Governance Issues

It is important to draw a distinction between an issue or incident that highlights governance issues and systemic governance weaknesses, for example, contract management found to be unsatisfactory in one area does not necessarily identify poor contract management across all the Council. Issues are generally considered to have significant governance implications where

- a) They will seriously prejudice/prevent achievement of a principle

- b) Have a material impact on the Financial Statements
- c) Require formal action to be taken by the S151 or Monitoring officer
- d) Affect the opinion of the Chief Internal Auditor
- e) Has a negative impact on reputation of the Council

7.1 **Progress on Governance Issues reported in the 2018-19 Annual Governance Statement** - All of the actions raised in the 2018/19 Action Plan have been carried forward to the 2019/20 Action Plan and are ongoing, with outcomes being monitored and reported to the Audit Committee. Progress updates are detailed in Annex B

7.2 **2019/20 Significant Governance Issues** -Significant Issues arising in 2019/20 that are considered to have governance implications include:

1. ERP – Key financial system: on going issues requiring substantial oversight and assurance throughout 2019/20.
2. LGSS – The change agenda for LGSS who currently deliver the key back office services for MKC. Review of robustness of implementation and embedding of the new shared service models for LGSS services.
3. Contract Management (including commissioning/procurement) – sufficient individual issues that arose in 2019/20 highlighted the importance of strong and effective contract management and governance. Strengthening contract management arrangements across the Council is a key action arising within this year’s AGS. Management of the COVID 19 pandemic has added pressure, to continue to pay on contracts, where service delivery is reduced or stopped.
4. Risk Management – embedding of the new approach to ensure risks are reviewed and registers updated regularly. Impact of risks arising from lockdown due to the pandemic.
5. Business Continuity – effectiveness of Critical plans initiated as a result of COVID 19 pandemic and the financial impact/fall out from the lockdown.

7.3 **Forward Looking Issues-** The purpose of this Statement is to reflect on the Governance arrangements for the 2019/20 financial year. At the time of writing the following are known issues that have the potential to impact on the Governance arrangements at MKC:

- **Brexit:** no significant governance issues arise in respect of Brexit as these are documented and reviewed within individual Risk Register areas. The wider issues remain under review/observation.
- **Council reorganisation** – Impact of creation of 2 unitary Councils and Children’s Trust to replace Northampton County Council –key partner in LGSS partnership arrangement.
- **LGSS Review** - Outcomes from review of LGSS partnership delivery arrangements and operational impacts.
- **Covid 19 Pandemic** – Going concern considerations, following the lock down. Significant reduction in income and spike in outgoings under guidance from Government will have a marked impact of the Council’s

finances going forward into 20/21. Robustness of decision- making framework during the lockdown period.

ANNEX A – Assurance Categorisation

A three-tier assurance mechanism is currently in place that provides assurances as summarised in the table below:

1 Control Environment / System Assurance

The adequacy of the control environment / system is perhaps the most important as this establishes the key controls and frequently systems ‘police/ enforce’ good control operated by individuals.

Assessed Level	Definitions
Substantial	Substantial governance measures are in place that gives confidence the control environment operates effectively.
Good	Governance measures are in place with only minor control weaknesses that present low risk to the control environment.
Satisfactory	Systems operate to a moderate level with some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

2 Compliance Assurance

Strong systems of control should enforce compliance whilst ensuring ‘ease of use’. Strong systems can be abused / bypassed and therefore testing ascertains the extent to which the controls are being complied with in practice. Operational reality within testing accepts a level of variation from agreed controls where circumstances require.

Assessed Level	Definitions
Substantial	Testing has proven that the control environment has operated as intended without exception.
Good	Testing has identified good compliance. Although some errors have been detected these were exceptional and acceptable.
Satisfactory	The control environment has mainly operated as intended although errors have been detected that should have been prevented / mitigated.
Limited	The control environment has not operated as intended. Significant errors have been detected and/or compliance levels unacceptable.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse. The system of control is essentially absent.

3 Organisational Impact

The overall organisational impact of the findings of the audit will be reported as major, moderate or minor. All reports with major organisational impact will be reported to SMT along with the relevant Directorate’s agreed action plan.

Level	Definitions
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

ANNEX B – 2019/20 Annual Governance Statement Action Plan (218/19 AGS update)

No.	Issue	Action / Outcome	Lead Officer and Target Completion Date	Action Taken (as at Oct 2020)
1.	Embedding of LGSS Review actions. New/changing LGSS management team	Implement and embed the new shared service models for LGSS services. Review performance. <u>Outcomes</u> <ul style="list-style-type: none"> • The new models of delivery to be agreed and in place • New service governance to be audited by Internal Audit 	Steve Richardson 30 September 2019 - Completed 31 December 2020 – on track	The LGSS Joint Committee asked the S151 officers from NCC, CCC and MKC to undertake a detailed design / financial model for the proposed new Authority Led model and repatriated services provided by LGSS. A report was taken to the Joint Committee meeting in the week commencing 24 February 2020. All 3 Councils approved the proposals and have agreed to disband LGSS resulting in the repatriation of some services and for those services which continue to remain shared a Lead Authority Model.
2.	Continuing financial constraints/population growth/increasing demands on services	Maintain periodic review of financial processes throughout 2020/21. <u>Outcomes</u> <ul style="list-style-type: none"> • Accurate budget forecasting throughout 2020/21 • Periodic Cabinet reports on budget forecasts 	Steve Richardson Ongoing throughout 20/21	The budget for 2019/20 was achieved within a very small variance and reported to Cabinet in June 2020. Monitoring was carried out throughout 2019/20 and interventions made to ensure that variances were addressed or alternative measures put in place to deliver the budget.
3.	Challenges around Homelessness and financial implication of this	Oversight of Homelessness, including Prevention and Temporary Accommodation services, and its financial management in 2019/20. <u>Outcomes</u> <ul style="list-style-type: none"> • A structured periodic report to Cabinet and relevant Scrutiny Committee that: <ul style="list-style-type: none"> ○ Monitors demand and caseload 	Steve Richardson and Michael Kelleher Completed	<ul style="list-style-type: none"> • Overall progress on managing Homelessness demand, and the supply and costs of Temporary Accommodation, are monitored regularly through budget monitoring reports to Corporate Leadership Team monthly, and to Cabinet quarterly. These issues are also covered at the Director's fortnightly meetings with the Portfolio Holder and are within the scope of the Community and Housing Scrutiny Committee. The service has been carrying out a deep dive investigation into homelessness, including prevention and temporary accommodation, and reports related

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		<ul style="list-style-type: none"> ○ Provides assurances: re use of Temporary Accommodation ○ Reports on the flow of voids into use ○ Accurately forecasts financial implications ● An internal audit of the above in 2019/20 to provide assurance re: the controls in place and the accuracy of reporting. 	Completed	<p>specifically to this were presented to both Community & Housing Scrutiny Committee in January 2020 and Cabinet during the third and fourth quarters of the year.</p> <p>Financial modelling is in place to constantly review the financial impact of demand and placement costs within the service. This is also reviewed by the management team every month, including the implications of the different cost drivers that impact this, and followed through to mitigate cost pressures.</p> <ul style="list-style-type: none"> ● A Prevention Fund audit was completed and a 'limited' compliance opinion awarded. Actions have been agreed to improve controls. Implementation of these actions will be followed up shortly. ● The audit for 2020/21 is currently in progress.
4.	Remaining ERP issues	<p>Maintain oversight of all ERP improvements throughout 2019/20</p> <p><u>Outcomes</u></p> <ul style="list-style-type: none"> ● A 'clean' 2018/19 audit opinion re: accounts ● Internal Audits assurance from testing during 2019/20 ● Resolution of all snagging issues from ERP Governance Board ● Upgrade to Version 7.3 	<p>Steve Richardson</p> <p>Completed</p> <p>30/11/2020</p>	<ul style="list-style-type: none"> ● 2018/19 audit sign off achieved (delayed due to COVID-19 and other audit delays). Unqualified Audit Opinion on the financial statements was provided and an Accepted for VFM Opinion. ● The upgrade to version 7.3 was put back in favour of a smaller update to version 6.5. Full upgrade is scheduled to be completed by 30 November 2020 as resources were redeployed to support the Northampton Unitary Programme. The move to the Cloud will be completed by 31 October 2020.
5.	Effect NCC position has on MKC – LGSS resources directed at NCC instead of MKC	This is linked to the LGSS item above and will be an area of active oversight throughout 2020/21 as NCC moves to its proposed Unitary	<p>Steve Richardson</p> <p>Ongoing throughout</p>	Through both formal (LGSS Management Board) and informal routes oversight by the S151 Officer and officers within the Finances and Resources Directorate continues to provide assurance that there is no adverse impact on

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		model. <u>Outcomes</u> <ul style="list-style-type: none"> Prompt highlight to Cabinet etc where shared services or resources appear disproportionately directed to NCC. 	2020/21	MKC as a result of these changes. This will become more critical as the Workstream Leads for the two new authorities make key decisions on line of business systems and support arrangements over the next 6 months
6.	Risk Management: strategy and policy dated 2015-2018 and requires refresh/update	Review and revise Risk management. <u>Outcomes</u> <ul style="list-style-type: none"> Revised policy / strategy approved by CLT and Cabinet by 30/9/19 Quarterly Risk Register reports into CLT and Cabinet and Audit Committee New approach is embedded deeper into the organisation 	Duncan Wilkinson 30 September 2019 -ongoing Ongoing March 2021	Policy refresh is in progress, following workshops with CLT. Changes within CLT structures during the year and thus risks and risk owners have resulted in slippage in implementing the new approach. The Risk Register continues to be reviews to be reviewed periodically with risk owners. The March Audit Committee will be provided with the latest agreed refreshed Risk Register, including the outcomes of Audit testing, as part of the agreed new approach.
7.	Contract Management	Effective operation of Contract Management Review Group in providing MKC with relevant assurances that robust contract management arrangements are operating effectively across the Council's significant contracts. <u>Outcomes</u> <ul style="list-style-type: none"> Contract Management 	Steve Richardson 30 April 2021	As part of the Management Action Plan a paper was approved at CLT to strengthen our Contract Management arrangements. The Council is currently procuring a new corporate contracts management system and aims to role this out in April 2021. This will provide much greater control on contract lifecycle and performance reporting on contract performance.

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		Review Group evaluation of arrangements for significant contracts <ul style="list-style-type: none"> - The assurances/ improvements derived from those reviews - Oversight of that by the relevant scrutiny committee 		A programme of training will also be developed later in 2020/21 to improve contract management skills across the Council (this has been delayed due to work on COVID-19)
8.	Revised Constitution	A revised Constitution was adopted at Full Council in 19 th May 2019. Its adoption requires embedding across the Council. That will also require appropriate training of relevant officers and councillors. <u>Outcomes</u> <ul style="list-style-type: none"> • New constitution is fully embedded across the Council 	Sharon Bridglalsingh 31 March 2021	Training to embed across the Council will be on going throughout 2020 (training has been delayed due to Covid-19).
9.	(carry forward from 2017/18 AGS) Cabinet approval of new Code of Corporate Governance	ONGOING: The Code of Corporate Governance approved at Audit Committee on 28 March 2017 needs to be refreshed and submitted to Audit Committee and subsequently submitted to Cabinet for approval. <u>Outcomes</u> <ul style="list-style-type: none"> • Fully approved Code of Corporate Governance in place 	Sharon Bridglalsingh / Duncan Wilkinson November 2020	Draft Code of Corporate Governance has been updated and the refreshed Code will be provided to the November 2020 Audit Committee.

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10.	Scrutiny Function	<p>To review and improve the Scrutiny function across MKC in the light of several issues arising during 2018/19</p> <p><u>Outcomes</u></p> <ul style="list-style-type: none"> • Review current scrutiny arrangements to assess whether all key areas of service are subject to appropriate scrutiny. • Consider scrutiny arrangements specifically for Contract Management and Performance review. 	<p>Sharon Bridglalsingh / Duncan Wilkinson</p> <p>31st March 2020</p>	<p>Monitoring Officer and Chief Internal Auditor confirmed that the Scrutiny function was revised in 2019 under a separate workstream and therefore this action was closed.</p>
11.	YourMK investigation	<p>Ensure the issues highlighted during 2018/19 re: YourMK are resolved and the in-house provision is embedded within strong levels of governance</p> <p><u>Outcomes</u></p> <ul style="list-style-type: none"> • External Audit report into Audit Committee • A report into Audit Committee regarding the contract(s) terms and value for money 	<p>Michael Kelleher</p> <p>31 July 2019</p> <p>Completed</p>	<p>The report on contract terms, benchmarking of rates & VFM was discussed at Audit Committee on 29 January 2020 and the Director of Housing and Regeneration sent a detailed update on the latest management arrangements.</p>
12.	External review of Blakelands planning implications	<p>Ensure external report is considered by a suitable committee to ensure appropriateness and transparency.</p> <p>Ensure actions from independent</p>	<p>Tracey Aldworth</p> <p>31 March 2021</p>	<p>The report from the Independent investigator is expected to be completed by 31 October 2020.</p> <p>The report is to go to the Audit Committee – date to be</p>

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		review are implemented. <u>Outcomes</u> <ul style="list-style-type: none"> • The appointment of an independent investigator and the adoption of an agreed scope / Terms of Reference • An update provided to each Audit Committee until completion • The consideration of the investigation report by the Audit Committee by 31/12/19 • The agreement and implementation of all recommendations by 31/3/20 		agreed.
13.	Late responses to subject data access requests due to significant increase in applications	Process is rationalised and outsourcing of some files <u>Outcome</u> <ul style="list-style-type: none"> • Subject data requests responded to within time limits 	Sarah Gonsalves 31 January 2021	New processes put in place to reduce time taken to deal with requests, as well as temporary additional resource to process applications. Number of outstanding applications has been significantly reduced despite increasing volumes and complexity.
14.	Health and Safety – consolidating recent improvements, addressing any higher risk areas, implement systems which enable us to manage risks	Development of our Internal Health and Safety capacity (new senior leader appointed January 2018) <u>Outcome</u> <ul style="list-style-type: none"> • Fully implemented Action Plan 	Stuart Proffitt Ongoing throughout 2020/21	H&S continues to improve with risk specific training and teams taking responsibility for their risk assessment and controls. Routine of reporting in place. Work ongoing with Housing & Asset and Schools in particular.

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	and spot (and address) trends/patterns	<ul style="list-style-type: none"> Key risks identified and mitigated where possible 		
15.	Some service Business Continuity Plans need strengthening. An external provider was appointed in late 2018/19 to assist officers review and develop plans and improve record keeping in relation to this.	<p>Continued development of services' Business Continuity Plans</p> <p><u>Outcome</u></p> <ul style="list-style-type: none"> Fit for purpose Business Continuity Plans available to help restore necessary services in the event of an issue Plans are regularly reviewed and tested to ensure they remain fit for purpose Review of continuity plans for key suppliers/contractors 	Sarah Gonsalves 31 March 2021	<p>All services completed 'flexible operating plans' in response to Covid-19; these now need reflecting within services' Business Continuity Plans. Responsible officers are being contacted to ensure this has been done and ensure Business Continuity Plans are fully up to date (further monitoring required).</p> <p>Further work has been done with key contractors to provide assurance of continued supply/delivery.</p> <p>Some software issues need to be resolved as the system (Clearview) needs constant updating to keep pace with organisational changes.</p>