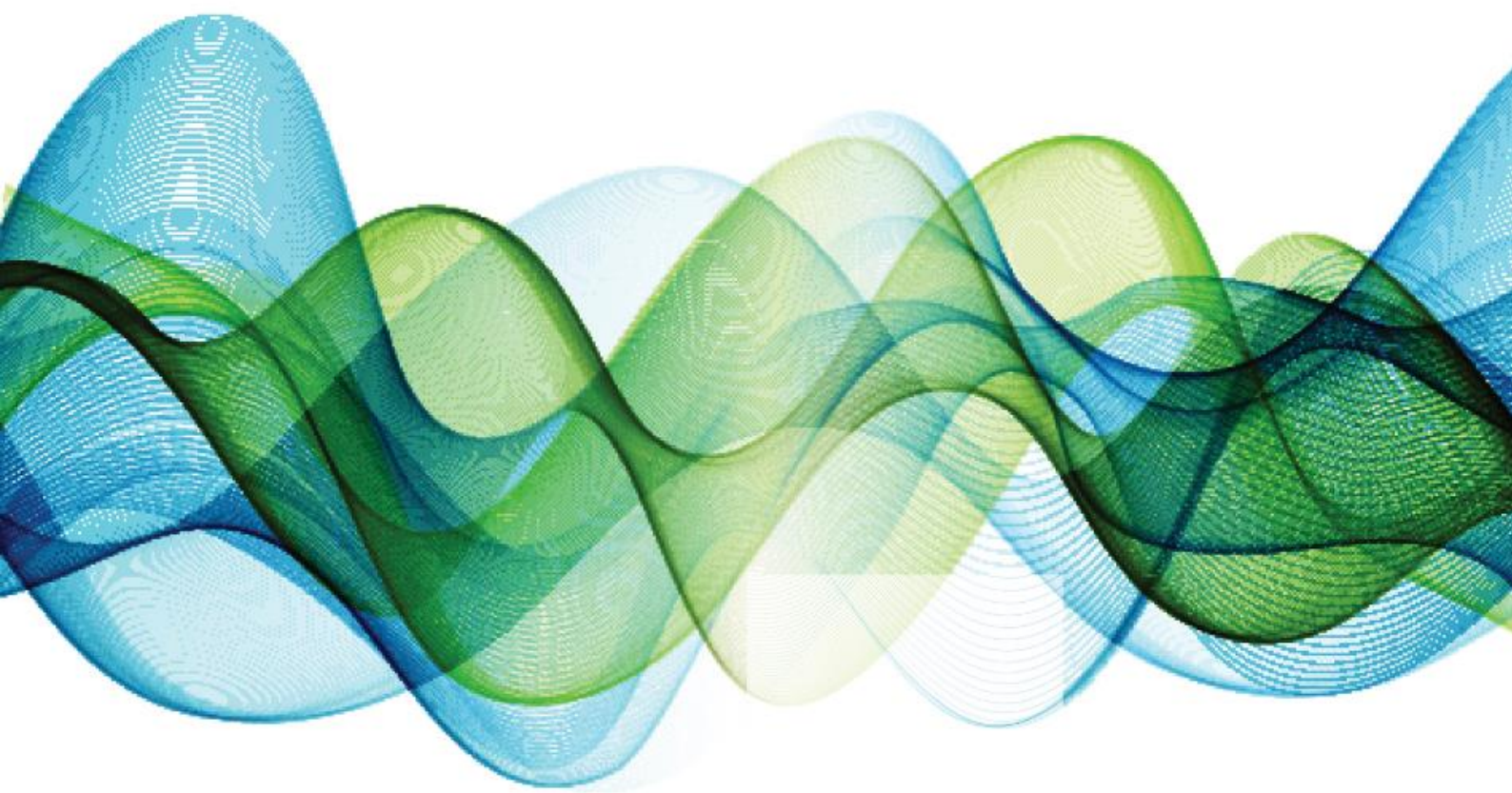


# Annual Governance Statement



**Date issued**  
June 2021

**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 effects of the coronavirus pandemic.

Whilst there have been changes to delivery of some frontline services during the various pandemic lockdowns, with some facilities being closed and staff working remotely, we are confident that for the most part, the governance framework has been maintained.

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) remains fit for purpose and:

- Accurately summarises the Council's governance mechanisms, and
- Having reviewed their operation for 2020/21 properly concludes that MKC's governance environment is a satisfactory framework to maintain effective control.

This AGS recognises the 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 The governance arrangements aim to ensure that the Council is able to meet its objectives and responsibilities in a lawful, timely, open, inclusive and honest manner and that 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 the corporate governance systems,
  - a code of corporate governance has been approved and adopted which is consistent with the principles of the CIPFA / SOLACE 2016: *Delivering Good Governance in Local Government: Framework 2016 Edition*.
  - Assessed compliance with the Financial Management Code- best practice guide issued by CIPFA for 2020/21.
- 2.2 The Code of Corporate Governance is subject to review, challenge and endorsement by Audit Committee or scrutiny panels as appropriate. A copy of the code is at **Appendix 2**.
- 2.3 Each year the corporate governance processes, systems and assurances on the governance framework are reviewed 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 Compliance with the approved code of corporate governance and the Financial Management Code is reviewed via, 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 2021 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 In a constantly changing environment, it is important that the governance arrangements are robust and flexible enough to manage change effectively and positively, to support the aims and objectives of the Council.

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:	Allocated To:
Head of Paid Service	Chief Executive
Chief Finance Officer (Section 151)	Director of Finance & Resources
Monitoring Officer	Director of Law & Governance
Director of Social Services (Adult Services Only)	Director of Adult Services
Director of Children's Services	Director of 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, operating in compliance with CIPFA Financial Management Code.

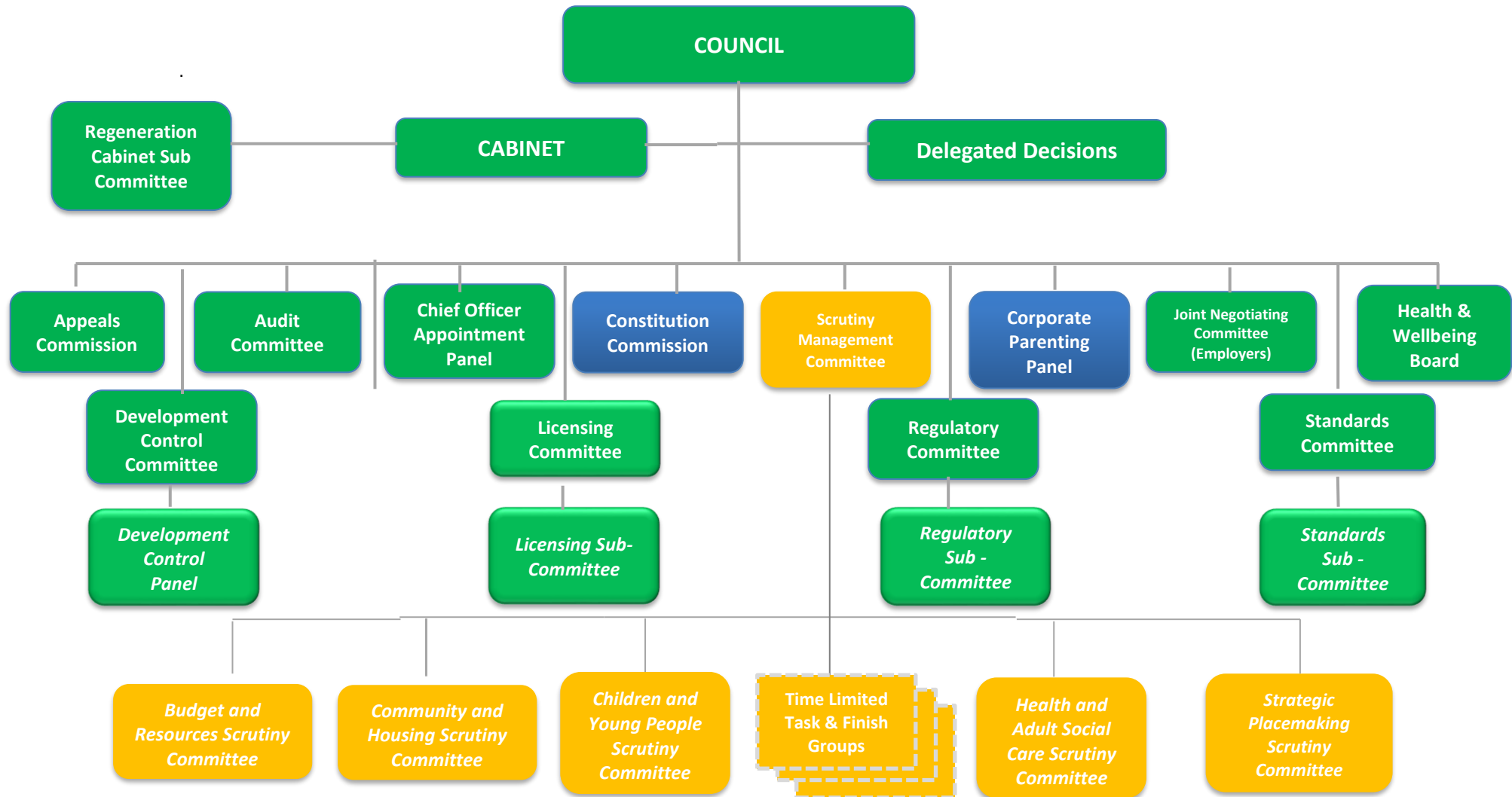
- Director of Law and Governance as Monitoring Officer, has responsibility for ensuring the lawfulness of decisions taken by the Council as detailed in the Constitution and for ensuring the Council complies with its duty to promote and maintain high standards of conduct by members and co-opted members 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. Following the May 2021 elections, Milton Keynes Council continues to be under no overall control which means that no one political party has over half the available seats required for a majority.

<b>Political Party</b>	<b>From 07/05/19</b>	<b>From 06/05/21</b>
Labour	23 seats	19 seats
Conservatives	19 seats	24 seats
Liberal Democrats	15 seats	13 seats
Independent	0 seat	1 seat

3.6 During the Pandemic lock down, Council meetings have been conducted via live streaming on Youtube social media, enabling continued participation by the public. Arrangements were put in place to ensure the public can contribute to debates and submit questions to elected representatives.

# Overview of MKC committee structure (2020-21)



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** (now defunct)- 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. A review of service delivery commissioned by the Partners at the end of 2019, concluded during 2020-21. 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.

- 3.12 **Other stakeholder involvement** - MKC appoints representatives to various joint and external bodies, where MKC either has formal responsibilities and / or a 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) and Multi Agency Safeguarding Board.
- 3.13 **Council owned companies** - At the beginning of the year MKC owned two Limited Liability Partnerships (LLPs), one of which (YMK) 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 and then transferred to the LLP in January 2013. The overall aim and objective for MKDP is to facilitate Milton Keynes' growth and the implementation of the vision for Milton Keynes' future that is set out in the Council's approved Corporate Plan, the Local Plan and in other key Council strategies.

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 Managing Director is responsible.

YourMK

YourMK was incorporated as a limited liability partnership. Arrangements for its dissolution were agreed between the Council and Mears, as the partners. It is now largely dormant with the statutory process for winding it up yet to be fully completed. Legal has oversight of the winding up process.

YourMK has been removed from the repairs and maintenance contracts through a deed of variation with MKC now the Client for Mears contractual repairs delivery. YourMK no longer has a role in delivery, managing or monitoring these contracts.

Final accounts are now being closed, with an overall financial agreement that some of the loan capital will be repaid to the Council.

**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 that was reported to the Audit Committee on 30<sup>th</sup> June 2021.

**5 Impact of Covid 19 on governance of the Council.**

- 5.1 For the majority of the year 2020/21 governance arrangements as described in the Code of Governance were maintained and as per the framework detailed above. However, the significant impact of the emergency lock downs to contain spread of the Corona virus 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 at the start of the 2020/21 financial year, 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 all of which heightened the 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 continued. Meetings were convened via live stream on Youtube social media channel, and other conferencing facilities, with a reduction in the number of meetings for some committees.
  - The Council moved to Gold Command and Control, and to Silver Incident Management arrangements, streamlining 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 the Council's policies and procedures were amended to ensure that communities, businesses and individuals were supported through the pandemic. Examples include:

- Creation of a stand - alone local support service
  - Introduction of 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, for several months during the year.
  - 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 has continued to be monitored throughout 2020/21 along with an ongoing review of when it would be

appropriate to exit these arrangements, revise current policies or re-establish standard regulatory protocols.

National Guidance has encouraged continuous heightened caution on relaxing measures to contain the spread of the various, indicating the current emergency response will remain in place.

## **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)

It is acknowledged that business as usual has in some cases been disrupted by the pandemic.

### **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, to take account of the anticipated impacts of the pandemic.

**6.1.2 Full Council/Cabinet** – Meet monthly to take key decisions including approval of plan; to set the budget; agree 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.

The committee met virtually, during the year, under the new ways of working with the pandemic lock down, with formal meetings held in November 2020, January 2021 and March 2021.

Quarterly scrutiny of the risk management framework and review of progress on the financial statements did 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 Director of Finance and Resources has confirmed that no formal actions have been taken by them during the year, in their role as the Section 151 Officer.
- The Director of Finance and Resources has confirmed that management of the Council’s finances have been undertaken in compliance with the Financial Management Code.

**6.2.3 Management Self Assurance** - Each Director is requested to provide a self-assurance statement in respect of 20/21, giving positive assurance that governance / controls are operating sufficiently AND to identify any areas needing improvement.

Those statements provided the basis for the approved Action Plan at Annex B. The key issues summarised below reflect both the completion of those actions AND the 2021/22 self-assurance statements completed by Directors in January 2022.

It is recognised that the impact of Covid-19 and the capacity of the organisation to respond will vary as a result of a number of factors, which will affect the assurance statements given. The factors impacting on the availability of assurance include amongst others

- the changing risks and impacts on the organisation
- whether key governance, risk management and internal control arrangements have deteriorated or been maintained
- operational disruptions that impact on the access to information or systems resulting in greater inefficiency and reduced outputs

Assurances statements highlighted the following areas where action has been necessary to either improve the control environment and or to react in response to the pandemic, where controls have had to be relaxed and actions that have been taken to minimise risks.

In discussions with Directors, while there was agreement that overall there was good assurance on controls within their departments during the year, there were specific areas where actions had been taken to put in place measures to address identified weaknesses in controls.

- Planning Applications processes - a Planning Improvement Board was set up during the year to review and seek options to address weaknesses identified in the planning process.
- Housing Services – a restructure of service delivery was undertaken as a precursor to remedy identified weaknesses in the delivery of housing services. A Housing Delivery Board was set up to oversee the changes.
- Smarter Working Project– a smarter working board was set up with a remit of exploring the effectiveness and impact of new ways of working expanded during the pandemic lock down and overseeing proposed changes.
- Various challenges were identified within Public Health, relating to delivery of actions to contain the pandemic. This involved work, which is ongoing, to co-ordinate the actions from multiagency partners.

#### **6.2.4 Council Companies Assurance**

##### **MKDP**

The Milton Keynes Development Partnership (MKDP) Managing Director and the Board are responsible for the general management of MKDP operations. The Board met during the year to review progress of the delivery of the company's business in line with the accountability framework and in particular to progress the proposals to establish a Local Housing Company.

The Council undertook a review of MKDP and changes were proposed to help to establish stronger connections with the Council and ensure MKDP has clarity on the key priorities that are expected to be delivered and achieved. In December 2020 MKC's Deputy Chief Executive was seconded to serve as the Company's Managing Director on a part time basis. Quarterly performance meetings were

also held with the Council's S151 officer during the year and further scrutiny of the arrangement provided by the Council's Chief Executive being appointed to the Board.

### YourMK

The closure of the LLP has been operationally completed but the legal closure continues consistent with proper process and subject to formal Legal oversight.

## **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 were in place throughout 2020/21 to support performance management across the Council, which included:

- 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 and 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 a 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 Financial Management Code** - The CIPFA Financial Management Code (CIPFA FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The code sets the standards of financial management for local authorities, and each Local authority is required to demonstrate compliance with the Code.

A self assessment to demonstrate compliance with the FM Code was undertaken during the year by the Director of Finance and Resources and the outcomes are to be considered the Leadership Team for comment. The self-assessment showed that in many areas the Council had robust systems and process in place that evidence good practice. These include:

- The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
- MKC are compliant with all statutory obligations regarding the accounts and the budget, with a rolling medium-term financial Plan (MTFP) in place and reported on regularly, on all key aspects of the accounts and the budget including the use of reserves. There is also robust scrutiny of the budget in place.
- There were also areas identified as needing improvement and action plans are being developed.

6.3.4 **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 2020/21, 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 of the Council's Pandemic response in respect of the 12 months period ending 31 March 2021, and taking account of all available evidence over the adequacy and effectiveness of the Council's overall internal control environment.

6.3.5 **Risk Management** - All councillors and managers are responsible for ensuring that threats and opportunities are considered in the decisions they take. MKC has in place a formally approved risk management strategy that was reviewed during the year. The strategy sets out a corporate risk appetite that is not risk averse but seeks to support decision making that considers threats and identifies mitigations 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.

The risk management approach has embedded with the strategic risk register being reviewed and updated on a quarterly basis. Work is ongoing with review and testing of adequacy of risk registers. Findings to be reported to Audit Committee.

6.3.6 **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.

The Council's IT Service in conjunction with the Customer Data & Insight Team have taken steps to minimise exposure to data loss/breach across the Council, in light of the increased levels of remote working and sharing of data across virtual channels. Work has been undertaken on strengthening data management and retention requirements.

## 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 based on their work completed to date, they expect to issue 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.

A qualified value for money conclusion was issued in 2018/19 in relation to MKC's arrangements to secure economy, efficiency and effectiveness in its use of resources. The VFM opinion for 2019/20 is pending.

6.4.2 Office for Standards in Education (OFSTED) and Care Quality Commission (CQC) –Various annual reports are submitted to CQC, to provide an overview of the effectiveness of adults and children social care activity within the Council. The following annual reports are to be submitted for 2020/2, with delays due to the restrictions of the pandemic.

- Child Protection annual report
- Independent Reviewing Officer annual report
- Family Drug and Alcohol Court annual report on proceedings
- Local Authority Designated Officer annual report on safeguarding allegations reported
- Quality Assurance annual report
- Corporate Parenting annual report
- Complaints annual report

Adult Social Care Teams work to a Quality Performance Framework that defines the expected standard of practice and provides good practice resources and audit tools in one place.

Inspections - Due to the Pandemic, Ofsted only completed one inspection in 2020/21

Local Authority Children's Services (LACS) framework	No rating was provided but the review noted <i>'The partnership has planned and delivered a well-coordinated and effective response to the pandemic. Its actions have been swift and well considered, with an appropriate focus on supporting the most vulnerable.'</i>								
Schools	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Outstanding</td> <td style="text-align: right;">25%</td> </tr> <tr> <td>Good</td> <td style="text-align: right;">62%</td> </tr> <tr> <td>Requires Improvement</td> <td style="text-align: right;">7%</td> </tr> <tr> <td>Inadequate</td> <td style="text-align: right;">6%</td> </tr> </table>	Outstanding	25%	Good	62%	Requires Improvement	7%	Inadequate	6%
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Requires Improvement	7%								
Inadequate	6%								

6.4.3 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.

- 6.4.4 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 2019-20 Annual Governance Statement** - All of the actions raised in the 2019/20 Action Plan have been followed up in the 2020/21 Action Plan and are either closed or are ongoing with outcomes being monitored and reported to the Audit Committee. Progress updates and actions for 2020/21 are detailed in Annex B.

- 7.2 **2020/21 Significant Governance Issues** -Significant Issues arising in 2020/21 that are considered to have governance implications include:
1. Containment of spread of the covid19 virus amongst MK residents, to limit impact on the economy of further lockdowns.
  2. The change to smarter working arrangements for a significant portion of the Council's workforce – the challenge of managing the arrangements to ensure continued effective controls over staff.
  3. The impact of changes to shared services arrangements with Partner organisations that may want different outcomes.
  4. Governance over the myriad of Covid19 grant income received and expenditure-tracking and management to provide assurance to relevant Government departments.
  5. Business Continuity – effectiveness of critical plans initiated as a result of covid19 pandemic and ability of service teams to resume business as usual.

- 7.3 **Forward Looking Issues**- The purpose of this Statement is to reflect on the Governance arrangements for the 2020/21 financial year. At the time of writing the following were known issues that were identified as having the

potential to impact on the future Governance arrangements at MKC through 21/22:

- **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 the creation of West and North Northamptonshire Councils and the Children’s Trust to replace Northampton County Council –key partners in the partnership arrangement.
- **Shared Services arrangements** - LGSS as a separate entity ceased in December 2020, with some services returning to delivery by the Sovereign Councils and others being delivered under a lead authority model.
- **Covid 19 Pandemic** – Introduction of the vaccination programme during the year has enabled the Government to create a road map towards lifting of all restrictions. However, the effects of nearly a year long lock down, means going concern considerations remain valid, as leisure, parking, council tax, non-domestic rates and other income sources have all been impacted.

## 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
<b>Substantial</b>	Substantial governance measures are in place that gives confidence the control environment operates effectively.
<b>Good</b>	Governance measures are in place with only minor control weaknesses that present low risk to the control environment.
<b>Satisfactory</b>	Systems operate to a moderate level with some control weaknesses that present a medium risk to the control environment.
<b>Limited</b>	There are significant control weaknesses that present a high risk to the control environment.
<b>No Assurance</b>	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
<b>Substantial</b>	Testing has proven that the control environment has operated as intended without exception.
<b>Good</b>	Testing has identified good compliance. Although some errors have been detected these were exceptional and acceptable.
<b>Satisfactory</b>	The control environment has mainly operated as intended although errors have been detected that should have been prevented / mitigated.
<b>Limited</b>	The control environment has not operated as intended. Significant errors have been detected and/or compliance levels unacceptable.
<b>No Assurance</b>	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
<b>Major</b>	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.
<b>Moderate</b>	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.
<b>Minor</b>	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 – 2020/21 Annual Governance Statement Action Plan

No. (Year)	Issue	Action / Outcome	Lead Officer and Target Completion Date	Action Taken (as at May2021)
1. (19/20)	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"> <li>• <u>The new models of delivery to be agreed and in place</u></li> <li>• <u>New service governance to be audited by Internal Audit</u></li> </ul>	Steve Richardson  30 September 2019 - Completed 31 December 2020 – on track	<b>CLOSED</b> New arrangements were fully implemented by 1 December 2020. We are currently embedding the changes in Northamptonshire following the Unitary changes.
2. (19/20)	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"> <li>• <u>Accurate budget forecasting throughout 2020/21</u></li> <li>• <u>Periodic Cabinet reports on budget forecasts</u></li> </ul>	Steve Richardson  Ongoing throughout 20/21	<b>CLOSED</b> This is a fully part of the Council's normal budget setting process and financial monitoring and reporting arrangements to CLT and the Executive.
3. (19/20)	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"> <li>• <u>A structured periodic report to Cabinet and relevant Scrutiny Committee that:</u> <ul style="list-style-type: none"> <li>○ <u>Monitors demand and caseload</u></li> </ul> </li> </ul>	Victoria Collins  On going	<b>ONGOING</b> A business case was approved as part of the 2021/22 budget to address demand, reduce TA usage and tackle the financial pressures in homelessness. We are continuing to monitor regularly through budget monitoring reports to Corporate Leadership Team monthly, and to Cabinet quarterly 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.

No. (Year)	Issue	Action / Outcome	Lead Officer and Target Completion Date	Action Taken (as at May2021)
		<ul style="list-style-type: none"> <li>○ <u>Provides assurances: re use of Temporary Accommodation</u></li> <li>○ <u>Reports on the flow of voids into use</u></li> <li>○ <u>Accurately forecasts financial implications</u></li> <li>● <u>An internal audit of the above in 2019/20 to provide assurance re: the controls in place and the accuracy of reporting.</u></li> </ul>	Completed	
4. (19/20)	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"> <li>● <u>A 'clean' 2018/19 audit opinion re: accounts</u></li> <li>● <u>Internal Audits assurance from testing during 2019/20</u></li> <li>● <u>Resolution of all snagging issues from ERP Governance Board</u></li> <li>● <u>Upgrade to Version 7.3</u></li> </ul>	Steve Richardson  Completed  30/11/2020	<p><b>CLOSED</b></p> <p>2018/19 audit sign off signed off with unqualified Audit Opinion on the financial statements was provided and an Accepted for VFM Opinion.</p> <ul style="list-style-type: none"> <li>● ERP snagging issues have all been resolved and the system was successfully moved into the Cloud in October 2020. The full upgrade was completed in 2020/21, together with the creation of new instances for the Northamptonshire Children's Trust and two new Unitary Councils.</li> </ul>
5. (19/20)	Effect NCC position has on MKC – LGSS resources directed at NCC instead of MKC	<p>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 model.</p> <p><u>Outcomes</u></p>	Steve Richardson  complete	<b>CLOSED</b> - See new action f16 - 2020/21 -at

No. (Year)	Issue	Action / Outcome	Lead Officer and Target Completion Date	Action Taken (as at May2021)
		<ul style="list-style-type: none"> <li>• <u>Prompt highlight to Cabinet etc where shared services or resources appear disproportionately directed to NCC.</u></li> </ul>		
6. (19/20)	Risk Management: strategy and policy dated 2015-2018 and requires refresh/update	<p>Review and revise Risk management.</p> <p><u>Outcomes</u></p> <ul style="list-style-type: none"> <li>• <u>Revised policy / strategy approved by CLT and Cabinet by 30/9/19</u></li> <li>• <u>Quarterly Risk Register reports into CLT and Cabinet and Audit Committee</u></li> <li>• <u>New approach is embedded deeper into the organisation</u></li> </ul>	<p>Duncan Wilkinson</p> <p>Complete</p> <p>Ongoing March 2021</p>	<p><b>CLOSED</b></p> <p>Risk Management Strategy and Policy have been combined into one document and refresh has been completed.</p> <p>Strategic Risk Register was reported to Audit Committee and will be reported to June Audit Committee.</p> <p>Directorate risk registers have been progressed and will be reported to Committee in June 2021.</p> <p>Audit testing of strategic risks was completed and is being undertaken currently (as at May 2021).</p> <p>A risk report is to be submitted to Cabinet later in the year.</p>
7. (19/20)	Contract Management	<p>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.</p> <p><u>Outcomes</u></p> <ul style="list-style-type: none"> <li>- <u>Contract Management Review Group evaluation of</u></li> </ul>	<p>Steve Richardson</p> <p>30 April 2021</p>	<p><b>ONGOING</b></p> <p>The Council has now implemented a new Contract Management system covering the full procurement and contract lifecycle. Reporting tools are being developed for managers, CLT and for the Executive to track progress on contracts and highlight any areas where action may be required. We are also building within this a central repository of contract documentation and KPI suite.</p> <p>A training programme for contract managers is being developed alongside the roll out of the new systems to</p>

No. (Year)	Issue	Action / Outcome	Lead Officer and Target Completion Date	Action Taken (as at May2021)
		<u>arrangements for significant contracts</u> <ul style="list-style-type: none"> <li>- <u>The assurances/ improvements derived from those reviews</u></li> <li>- <u>Oversight of that by the relevant scrutiny committee</u></li> </ul>		<p>ensure that Contract Managers are clear about their responsibilities and that the system is used consistently across the Council.</p> <p>Reviews were carried on a range of contracts during 2020/21 in response to COVID-19 to highlight areas of concern about supplier failure and steps taken where appropriate to address issues, e.g. care market, leisure operators etc.</p>
8. (19/20)	Revised Constitution	<p>A revised Constitution was adopted at Full Council in 19<sup>th</sup> May 2019. Its adoption requires embedding across the Council. That will also require appropriate training of relevant officers and councillors.</p> <p><u>Outcomes</u></p> <ul style="list-style-type: none"> <li>• <u>New constitution is fully embedded across the Council</u></li> </ul>	<p>Sharon Bridglalsingh</p> <p>31 March 2021</p>	<p>Training to embed across the Council will be on going throughout 2020 (training has been delayed due to Covid-19).</p>
9. (19/20)	<p>(carry forward from 2017/18 AGS)</p> <p>Cabinet approval of new Code of Corporate Governance</p>	<p>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.</p> <p><u>Outcomes</u></p> <ul style="list-style-type: none"> <li>• <u>Fully approved Code of Corporate Governance in place</u></li> </ul>	<p>Sharon Bridglalsingh / Duncan Wilkinson</p> <p>November 2020</p>	<p><b>CLOSED</b></p> <p>A revised Code was reported to Audit Committee in November 20.</p>

No. (Year)	Issue	Action / Outcome	Lead Officer and Target Completion Date	Action Taken (as at May2021)
10. (19/20)	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> <p><u>-Review current scrutiny arrangements to assess whether all key areas of service are subject to appropriate scrutiny.</u></p> <p><u>-Consider scrutiny arrangements specifically for Contract Management and Performance review.</u></p>	<p>Sharon Bridglalsingh / Duncan Wilkinson</p> <p>On going</p>	<p>Monitoring Officer to discuss with Chair of Scrutiny Management Committee and provide an update.</p>
11. (19/20)	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> <p><u>E-external Audit report into Audit Committee</u></p> <p><u>-A report into Audit Committee regarding the contract(s) terms and value for money</u></p>	<p>Michael Kelleher</p> <p>complete</p>	<p><b>CLOSED</b></p> <p>The report on contract terms, benchmarking of rates &amp; VFM was discussed at Audit Committee on 29 January 2020. A further comprehensive response was provided on 12 November 2020 and 27 January 2021.</p>
12. (19/20)	External review of Blakelands planning implications	<p>Ensure external report is considered by a suitable committee to ensure appropriateness and transparency.</p>	<p>Tracey Aldworth</p>	<p><b>CLOSED</b></p> <p>The preliminary report from the Independent Reviewer was presented to the Audit Committee at its meeting on</p>



No. (Year)	Issue	Action / Outcome	Lead Officer and Target Completion Date	Action Taken (as at May2021)
		<p>Ensure actions from independent review are implemented.</p> <p><u>Outcomes</u></p> <p>The appointment of an independent investigator and the adoption of an agreed scope / Terms of Reference</p> <p>An update provided to each Audit Committee until completion</p> <p>The consideration of the investigation report by the Audit Committee by 31/12/19</p> <p>The agreement and implementation of all recommendations <u>by 31/3/20</u></p>	31 March 2021	<p>1 December 2020. Committee noted the ongoing concern of local residents on this matter and the need for further reassurance all matters have been properly investigated.</p> <p>As directed, the IA report and process adopted by the Independent Reviewer were reviewed by an external independent person – Director of CIPFA’s Consultancy Service. Findings were presented to Audit Committee on 23 March 21.</p>
13. (19/20)	Late responses to subject data access requests due to significant increase in applications	<p>Process is rationalised and outsourcing of some files</p> <p><u>Outcome</u></p> <p>Subject data requests responded to within time limits</p>	<p>Sarah Gonsalves</p> <p>31 January 2021</p>	<p><b>CLOSED</b> -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.</p>
14. (19/20)	Health and Safety – consolidating recent improvements, addressing any higher risk areas, implement systems which enable us to manage risks and spot (and	<p>Development of our Internal Health and Safety capacity (new senior leader appointed January 2019)</p> <p><u>Outcome</u></p> <p>Fully implemented Action Plan</p>	<p>Stuart Proffitt</p> <p>31 March 2021</p>	<p><b>CLOSED</b></p> <p>H&amp;S continues to improve with risk specific training and teams taking responsibility for their risk assessment and controls.</p> <p>Routine of reporting in place. Work ongoing with Housing &amp; Asset and Schools in particular.</p>

No. (Year)	Issue	Action / Outcome	Lead Officer and Target Completion Date	Action Taken (as at May2021)
	address) trends/patterns	Key risks identified and mitigated where possible		
15. (19/20)	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.	Continued development of services' Business Continuity Plans <u>Outcome</u> <u>-Fit for purpose Business Continuity Plans available to help restore necessary services in the event of an issue</u>  <u>-Plans are regularly reviewed and tested to ensure they remain fit for purpose</u>  <u>-Review of continuity plans for key suppliers/contractors</u>	Sarah Gonsalves  31 March 2021	<b>CLOSED</b> -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). Further work has been done with key contractors to provide assurance of continued supply/delivery. Some software issues need to be resolved as the system (Clearview) needs constant updating to keep pace with organisational changes.
16 (20/21)	Concerns over adequacy of governance over Housing Service Delivery and management of H&S of housing Stock	A restructure has been initiated and a Housing coordination board set up to oversee changes. <u>Outcomes</u> <ul style="list-style-type: none"> <li>• Separate management of Homeless applications</li> <li>• Improved standard of housing stock</li> <li>• Clear allocations policy/procedures</li> <li>• H&amp;S issues addressed</li> </ul>	Stuart Proffitt Ongoing throughout 2021/22	<b>ONGOING</b> Draft lettable standards have been produced KPIs are to be agreed for monitoring voids turnaround. Draft Choice Based Lettings Policy has been produced

No. (Year)	Issue	Action / Outcome	Lead Officer and Target Completion Date	Action Taken (as at May2021)
17 (20/21)	Effect Northamptonshire position has on MKC – Lead Authority resources directed at new partner organisations instead of MKC	Continue to monitor the impact that new partner organisations have on MKC. <u>Outcomes</u> Escalate if it is evident during 21/22 that shared service resources are disproportionately consumed by other partners to the detriment of MKC’.	Steve Richardson On going throughout 2020/21	<b>ONGOING</b> There was a significant impact during 2020/21 due to the impact of reorganisation in Northamptonshire, including a delay to the changes in creating the new Shared Service arrangements (ending LGSS) and a development freeze on ERP to enable new instances to be implemented for the new Councils ahead of vesting day. Further impacts will continue in 2021/22 as we onboard the former district and boroughs staff into the shared service teams. West Northants Unitary Council now has 3 separate Revenues and Benefit operations and they are currently conducting a review to decide how best to consolidate these into a single operation. This will mean further changes will be needed to the current shared service partnership.
18 (20/21)	Public Health challenge -Need to establish and implement a robust Plan for containment of Covid 19 virus	<u>Outcomes</u> Develop and implement a Local Outbreak Control Plan in line with government requirements	Vicky Head  On going through 2021	<b>ONGOING</b> A Local Outbreak control plan was approved in June 2020. This <ul style="list-style-type: none"> <li>Established a lateral flow Asymptomatic Testing Site</li> <li>Expanded free testing, to contain spread of the virus</li> </ul> In April 2021, requirement changed to Local Outbreak Management Plan (LOMP)
19 (20/21)	Public Health challenge -Need to coordinate multi-agency response	<u>Outcomes</u> To oversee multi-agency response to containment of spread of the virus.	Michael Bracey ongoing	<b>ONGOING</b> Multi-Agency Response Coordination Cell has been established to oversee response.

No. (Year)	Issue	Action / Outcome	Lead Officer and Target Completion Date	Action Taken (as at May2021)
	across MK to contain the Covid 19 virus.			