ANNUAL GOVERNANCE STATEMENT -2021-22

Issued - January 2023

Jacinta Fru -Chief Internal Auditor

Milton Keynes City Council (MKCC) 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 have been managing increasing demand on critical services and significant reductions in our funding.

With the current crisis situation brought on by a "perfect storm" of events including ongoing impact on demand of the covid 19 pandemic, climate emergency and cost of living crisis as well as supply chain issues from Brexit and the war in Ukraine, good governance has never been more important to ensure effective service commissioning and delivery and that we are doing the right things, in the right way and for the right people.

The Council must continue to ensure transparency, accountability and good governance during these challenges and whilst there have been changes to delivery of some frontline services as a result of the skills shortages and role consolidation, we are confident that for the most part, the governance framework has been maintained.

The governance framework 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 MKCC'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 2021/22 properly concludes that MKCC'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 available from Legal Services Team.

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 through consulting and obtaining positive assurances from representatives of each of the major political parties, the corporate leadership team, statutory governance officers and other internal governance processes.

2.5   In addition the Council also reflects and takes into consideration the work of internal and external audit and work of 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 2022 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 sufficiently robust and flexible to manage change effectively and positively, to support the aims and objectives of the Council.

2.8   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 MKCC is directed and controlled, and through which the Council engages with and leads 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 MKCC 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 MKCC 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 Councillors 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 Councillors 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 2022 elections, Milton Keynes City 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.
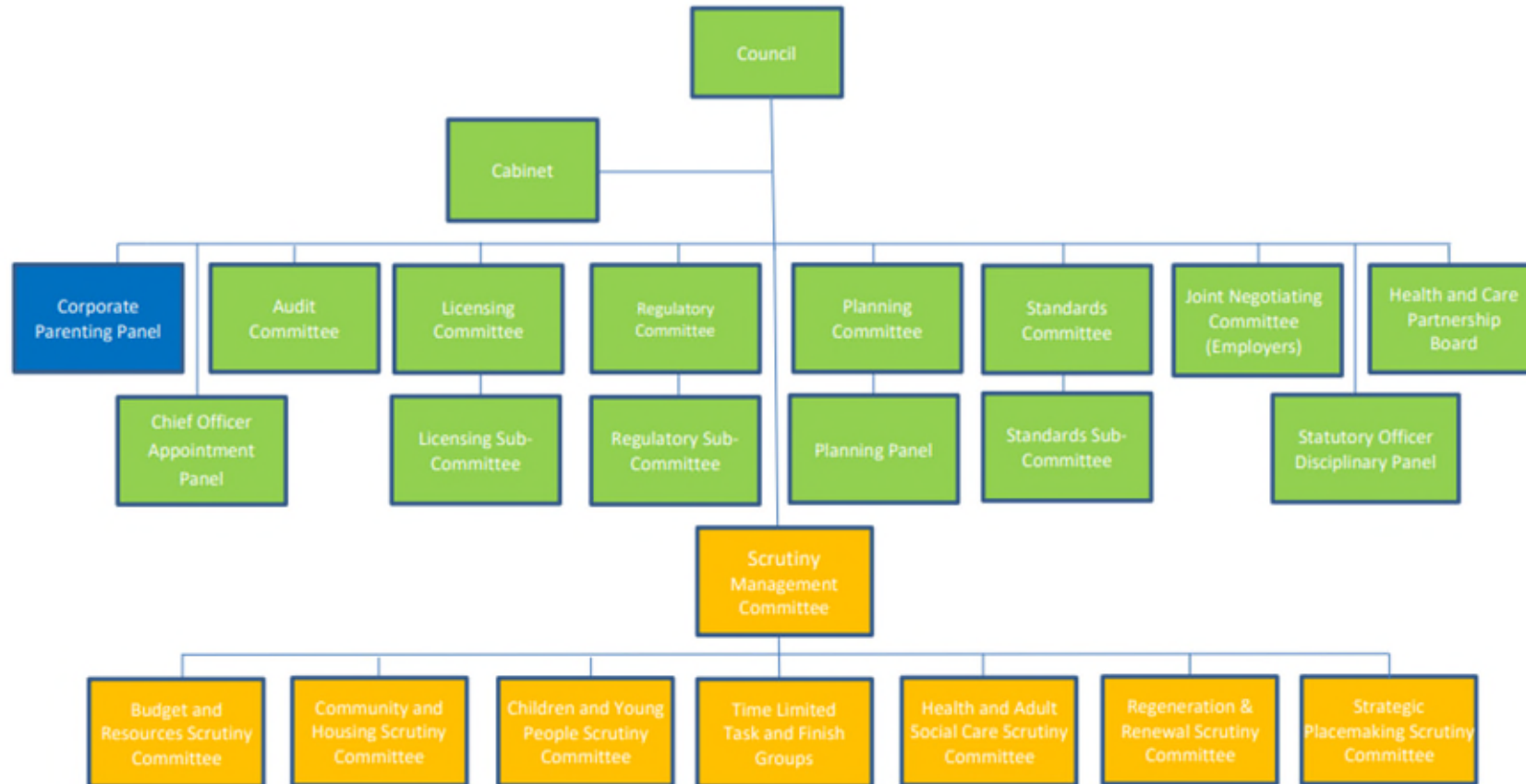The Labour Group and Liberal Democrat Group have established a Progressive Alliance to form a majority administration, to administer the Council's business. A 3years agreement has been entered into by the Parties to the Alliance, providing for a more stable political environment for the Council.

Political Party	From 06/05/21	From 05/05/22
Labour	19 seats	20 seats
Conservatives	24 seats	23 seats
Liberal Democrats	13 seats	14 seats
Independent	1 seat	0 seat

3.6 Meetings returned to in-person attendance by councillors during 2021/22, following cessation of the lock down arrangements. However, meetings continued to be streamed live during 2021/22.

Overview of MKCC Committee Structure (2021-22) as at 30/12/2022

Diagrammatic explanation of Councillor Decision Making Bodies and Introduction to Decision Making

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- Council
- Cabinet
- Corporate Parenting Panel
- Audit Committee
  - Chief Officer Appointment Panel
- Licensing Committee
  - Licensing Sub-Committee
- Regulatory Committee
  - Regulatory Sub-Committee
- Planning Committee
  - Planning Panel
- Standards Committee
  - Standards Sub-Committee
- Joint Negotiating Committee (Employers)
- Health and Care Partnership Board
  - Statutory Officer Disciplinary Panel
- Scrutiny Management Committee
  - Budget and Resources Scrutiny Committee
  - Community and Housing Scrutiny Committee
  - Children and Young People Scrutiny Committee
  - Time Limited Task and Finish Groups
  - Health and Adult Social Care Scrutiny Committee
  - Regeneration & Renewal Scrutiny Committee
  - Strategic Placemaking Scrutiny Committee

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 nine members (6 Labour Group Members, including the Leader of the Council and 3 Liberal Democrat Group members including the Deputy Leader). 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 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 48 members not within the Cabinet.

There are seven scrutiny committees and a management committee which supports the work of the Cabinet and MKCC 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 MKCC 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 governance 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 Audit 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. The Audit Committee has 3 independent members with no political affiliations.

3.11 **Other stakeholder involvement** - MKCC appoints representatives to various joint and external bodies, where MKCC 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); Integrated Care board; the South East Midlands Local Enterprise Partnership (SEMLEP) and Multi Agency Safeguarding Board, being some of the key partnerships.

3.12 **Council owned companies** - At the beginning of 2021/22, MKCC owned four Limited Liability Partnerships (LLPs), one of which (YMK) was in the process of closure.

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, its 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.

DevelopMK Limted

A limited liability Company incorporated on 25 March 2020.

Milton Keynes Housing Company Limited

A company with no share capital, limited by guarantee, incorporated on 26/11/2021. The company was formed to enable renting and operating of Housing Association real estate.

YourMK Limited

The statutory legal process for winding is now complete and the company no longer exists.

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 30th June 2021.

5   Impact of Covid 19 on governance of the Council.

5.1   For the majority of the year 2021/22 governance arrangements as described in the Code of Governance were maintained and operated as per the framework detailed above. However, despite the lifting of restrictions in July 2021, the ongoing impact of the Covid virus and its variants during the year required continued re-consideration of how the Council's governance structures operated, to safeguard the Council and its Staff.

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 During 2021-2022, the pandemic Incident Management arrangements were scaled back but the ongoing impacts and potential for resurgence were recognised, with various changes to governance arrangements continuing and creation of new governance groups. These include
- Facilitation and embedding of homeworking
- Xtra Hub community support facility
- Finance Legal Accountability Group
- Corporate Portfolio Board
- Housing Landlord Board
- Cost of Living Board

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" Implementation of the action Plan is monitored by the corporate Leadership Team.

5.5 The appropriateness of the Council's response has continued to be monitored throughout 2021/22 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 virus, and manage the cost of living crisis, indicating the current emergency response will remain in place.

6   Review of effectiveness

MKCC 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 continuing through 2021/22.

6.1 **Members Assurance**

6.1.1 **Council Plan -** The Council Plan sets out how Milton Keynes City Council will work to achieve its ambitions for Milton Keynes. Within it are the priorities that the Council will address between 2022 and 2026 and a more detailed annual Delivery Plan for 2022-23, showing what will be done and the main milestones along the way. The Milton Keynes City Council Plan was revised and approved at the Council Meeting of 15 June 2022.

6.1.2 **Full Council/Cabinet –** Meet monthly to take key decisions including approval of plan; to set the budget; agree the Mid Term Financial Plan; 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 MKCC'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 and the self-assessment process will be repeated prior to 31st March.

The committee met throughout the year with a formal programme of work approved via the Chair and Vice Chairs.

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 has been updated as part of the revision of the Plan during 2022, 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 2021/22, giving positive assurance that governance / controls are operating sufficiently AND to identify any areas needing improvement.

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 2021/22, 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.

- Challenges around recruitment of professional staff.

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 in July 2020, in light of the significant concerns over the financial impact of COVID-19, the Council offered MKDP the opportunity to share a senior management resource.

MKDP's Board accepted this offer and in December 2020 MKC's Deputy Chief Executive was seconded to serve as the Company's Managing Director on a part time basis, as well as continuing to be the Council's DCEO. 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.

DevelopMK

Wholly owned LLP

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;
- Regular 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

- The Corporate Programme Board created in 2018/19 strengthened the Council's project governance arrangements by providing 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 were considered the Leadership Team. 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.

- MKCC 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 MKCC 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 MKCC's activities. The opinion of the Chief Internal Auditor for 2021/22, detailed in the annual report is **Satisfactory** assurance (See Annex A for definition). This is based on work completed during the year and taking into account all available evidence of 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. MKCC 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 been 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 are 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 MKCC'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 MKCC'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 was an unqualified opinion in relation to MKCC'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 for 2019/20 in relation to MKCC's arrangements to secure economy, efficiency and effectiveness in its use of resources.

For the 2020/21 Financial Statements, the Auditor opinion was confirmed at the Audit Committee meeting of July 2022 as "Qualified" on limitation of scope basis. The qualification was a technical qualification, issued to enable closure of the Accounts, which were open pending a national decision on treatment of infrastructure assets which could not be valued as Local authorities had not maintained records. This issuealso coincided with a change in the Lead Audit Partner, and so keeping the accounts open would have meant more costs, as the new Partner would have had to restart the Audit process, to inform their opinion.

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 have been submitted for 2020/21.

- 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:

By Ofsted of the Council's children services in 2021/22 with a Judgement of "requires improvement to be good". Additional commentary reflected that "*While some of the recommendations from the 2016 inspection have been addressed, some areas of practice remain as areas for improvemen*t. *Milton Keynes has experienced capacity issues in some social work teams, compounded by an increased demand due to COVID-19 and difficulties recruiting agency staff ----. there has not been sufficient change for some vulnerable children and families*.

The outcomes from a follow up visit in November 2022 is awaited.

By Ofsted of a small sample of Schools, as Ofsted visits were paused in summer of 2021 as a result of the ongoing pandemic. Outcomes from 8 schools inspected

Schools visited in the year 2021-22	Outstanding 25% Good 50% Requires Improvement 13% Inadequate 12%

Although Milton Keynes City Council is committed to all its schools being rated at least Good, it is recognised that the Local Authority has a limiting influence in the Ofsted grading for schools, particularly in the increasing level of school academisation, but the Council will continue to work in partnership to support education achievement across the city.

6.4.3 The 2020/21 Annual Local Government & Social Care Ombudsman's Annual Review letter was received on 21 July 2021 and the Ombudsman upheld 17 of 25 cases investigated (68%) of the Council's complaints after detailed investigations were carried out, compared to 10 (13%) in 2019/20. In 100% of cases the LGSO were satisfied the authority had successfully implemented their recommendations. There were no significant findings of maladministration to be reported to full Council.

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 **Action Plan 2021/22**

Annex B sets out the outstanding actions from previous years and any new actions agreed to address significant governance issues highlighted in 2021/22.

7.2 Progress on Governance Issues reported in the 2020-21 Annual Governance Statement – Annex B

The actions raised in the 2020/21 Action Plan are only removed from the plan once they have been completed (or the issue resolved in a different way).

7.3   **2021/22 Significant Governance Issues**

Directors have completed a review of their responsibilities and submitted individual Assurance Statements to the Chief Executive to inform the Annual Governance Statement. The issues highlighted by each Director have been reviewed by CLT and have been included within the 22/23 AGS Action Plan at Annex B where appropriate.

A summary of the significant issues highlighted by Directors is set out below. The majority of these reflect issues already known and documented within the 2020/21 AGS. They reflect an ongoing management and focus on the governance issues arising:

7.3.1   The Pandemic – this continues to have ongoing impacts and demands across multiple services. Governance remains robust and the issue has regular ongoing oversight.

7.3.2   Changes to Shared Services arrangements - Partner organisations that want different outcomes have resulted in a significant change agenda through 2021/22 and in several areas the disaggregation of shared arrangements for 2022/23.

7.3.3   Recruitment and Retention – Several areas across the Council face significant challenges in maintaining a full establishment. Examples include; Planning, Social Care, Legal and Finance roles. Services and the HR service are focussed on those issues however it must be recognised many of the challenges are regional / national affecting most if not all Councils.

7.3.4   Planning – the Planning Improvement Board continues its work to stabilise and develop the service. A peer review is planned and the recent QC report on a specific application confirmed the improvements evident through the PIB. This work will continue in 2022/23 to ensure service delivery is stabilised and stakeholder management improved.

7.3.5   Housing – Following the Housing Directorate disaggregation in 2020/21 the business processes across the services improved in 21/22 but require further development through 22/23 and 23/24. Actions have been developed to ensure individual workstreams are improved and also the 'end to end' customer journey.

7.3.6   Contract Management – The new system has been implemented including improved coordination from Procurement to Contract delivery. 22/23 has prioritised further training across the Council to embed the good practices and system processes to give positive assurances across all contracts.

7.3.7   Data / Information Management – IT systems improvements provide an opportunity to improve the Council's information management to ensure the Council:

- Holds and retains the information it needs to ensure business as usual

- Information and data can be processed properly to support service delivery, whilst
- Ensuring information is only held when needed and deleted when it is appropriate

7.4 **Forward Looking Issues -** The purpose of this Statement is to reflect on the Governance arrangements for the 2021/22 financial year. At the time of writing the following are known issues that have the potential to impact on the Governance arrangements at MKC into 22/23:

- **Post Pandemic:** It is realistic and prudent to assume the pandemic and its impacts will continue at least through 22/23. The longer- term implications of operating within effectively 'crisis management / incident response' structures as 'business as usual' may become more evident in 22/23 e.g. service / staff exhaustion / turnover etc.

- **Political:** The current political structure of the Council with no overall control, means that local elections can always provide an outcome that changes the political administration of the Council. However, the Progressive Alliance agreement of 3 years should reduce the possibility of this issue arising.

- **Economic/Financial:** The Council continues to face unprecedented financial pressures from a combination of post pandemic surge in demand, stretched supply chains and inflationary pressures, all made worse by the changes in staffing resource due to Brexit and sanctions imposed as a result of the war in Ukraine. These will create significant pressures within some budgets.

- **Development Growth risk:** As a growth location of national significance in the Oxford-Milton Keynes-Cambridge area, MKC faces challenges to provide the necessary infrastructure to support the growth, such as schools, community facilities, sport and leisure facilities, healthcare facilities, roads, broadband and more.

ANNEX A – Internal Audit 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 – 2021/22 Annual Governance Statement Action Plan

No. (Year)	Issue	Action / Outcome	Lead Officer and Target Completion Date	Update as at 30 December 2022

1.	Challenges around Homelessness and financial implication of this
	
	C/f from 2019/20
		Oversight of Homelessness, including Prevention and Temporary Accommodation services, and its financial management in 2019/20.
		
		Outcomes
		• A structured periodic report to Cabinet and relevant Scrutiny Committee that:
		   o Monitors demand and caseload
		   o Provides assurances: re use of Temporary Accommodation
		   o Reports on the flow of voids into use
		   o Accurately forecasts financial implications
		• The 22/23 Audit plan will focus on key areas of improvement within this issue
			Victoria Collins
			
			On going
			
			30 March 2023
				ONGOING
				
				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.
				
				The planned audit(s) in 19/20 and 20/21 continued to report on controls applicable and improving. The 2022/23 Audit Plan will continue that focus on assurance for this issue(s).

2.	Contract Management c/f from 2019/20	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. Outcomes - Contract Management Review Group evaluation of	Steve Richardson On going 30 March 2023	**ONGOING** 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. A training programme for contract managers is being developed alongside the roll out of the new systems to ensure

No. (Year)	Issue	Action / Outcome	Lead Officer and Target Completion Date	Update as at 30 December 2022
		arrangements for significant contracts - The assurances/ improvements derived from those reviews - Oversight of that by the relevant scrutiny committee		that Contract Managers are clear about their responsibilities and that the system is used consistently across the Council.
3.	Concerns over adequacy of governance over Housing Service Delivery and management of H&S of housing Stock c/f from 2020/21	A Director level restructure has been initiated and a Housing coordination board set up to oversee changes. A new HRA landlord Board now in place supported by a Managers Operations Group	Stuart Proffitt Ongoing 31/3/23	**ONGOING** **Governance** A new board structure under the Housing Coordination Group has been implemented across the Housing areas covered by the Director Environment and Property (E&P), Director Adult Services and Director Finance and Resources. Within E&P this includes two boards with Mears, one general (H&S, reactive repairs, work in progress, KPI's etc.) and one specifically for the planned maintenance programme. Regeneration and renewal (R&R) schemes at delivery stages (e.g. The Lakes phase A) have their own specific programme boards. All other R&R and pipeline housing schemes are reported to the Housing Programme Board. We develop working groups to deep-dive specific issues, such as the decant of Mellish Court and The Gables, or voids until they are resolved. ***Update*** An HRA Landlord Board which meets monthly has replaced the Housing Coordination Board to oversee the HRA operations, delivery and finances. The Board has the same membership and is supported by a Managers Operations Group. All minutes are reported as a key items each month to CLT. **H&S**

No. (Year)	Issue	Action / Outcome	Lead Officer and Target Completion Date	Update as at 30 December 2022
				A specific Housing Safety Team is now in place, with monthly reporting on compliance covering proactive assessments and checks and remedial work.
				A review of systems and data management has been undertaken; we are currently focusing on one system to hold the data, whilst a wider system review and strategy is undertaken.
				New housing safety procedures to set the standards are being drafted for rollout in 2022.
4	Effect Northamptonshire position has on MKC – Lead Authority resources directed at new partner organisations instead of MKC c/f from 2020/21	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 2022/23	**CLOSED** 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 continued in 2021/22 as relationships with the new Councils evolved and new arrangements agreed for 1/4/22. **Update** The Shared Service is now business as usual, with Shared Services Partnership Agreement, Monthly Lead Authority Board (s151's), quarterly financial and service reporting, SLA's in place.
5.	Public Health challenge -Need to coordinate multi-agency response across MK to contain the Covid 19 virus. c/f from 2020/21	The continued pressures from the Pandemic are being managed via the agreed multi-agency approach <u>Outcomes</u> To oversee multi-agency response to containment of spread of the virus.	Michael Bracey Ongoing	**ONGOING** Multi-Agency Response Coordination Cell has been established to oversee response.

No. (Year)	Issue	Action / Outcome	Lead Officer and Target Completion Date	Update as at 30 December 2022
6.	Data / Information Management	Improve the Council's information management to ensure the Council: - Holds and retains the information it needs to ensure - Information and data can be processed properly to support service delivery, whilst - Ensuring information is only held when needed and deleted when it is appropriate Outcomes To implement the improved management of data / information as above.	Sarah Gonsalves 30 March 2023	**ONGOING** The Council has progressed several projects to achieve this including (but not limited to) the SharePoint and OneDrive projects and the email / data retention policy approved in 2021. The implementation of these will continue throughout 2022.

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