

## ANNUAL GOVERNANCE STATEMENT 2020/21

This statement from the Leader and the Chief Executive provides assurance to all stakeholders that within Merton Council processes and systems have been established, which ensure that decisions are properly made and scrutinised, and that public money is being spent economically and effectively to ensure maximum benefit to all citizens of the borough.

### 1. Scope of responsibility

- 1.1. Merton Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively.
- 1.2 This statement explains how Merton Council has complied with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* (2016) and the requirements of regulation 6(1b) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement. The Guidance has identified some seven core principles supported by a further 21 sub-principles against which local authorities should measure their compliance. The outcomes of such a review would then provide the key issues for Members to consider in relation to the production and content of the AGS.
- 1.3 The seven core principles are as follows: -
  - (a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
  - (b) Ensuring openness and comprehensive stakeholder engagement.
  - (c) Defining outcomes in terms of sustainable economic, social, and environmental benefits.
  - (d) Determining the interventions necessary to optimise the achievement of the intended outcomes.
  - (e) Developing the entity's capacity, including the capability of its leadership and the individuals within it.

### 2 The governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and the activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 In March 2020, emergency planning and business continuity arrangements were put in place to protect and support the most vulnerable, supporting public health measures to reduce the spread of the virus and maintaining and adapting council services to continue to serve residents and businesses in the borough. LBM was able to continue to work with partners, local and regional authorities

across London and government through London emergency planning arrangements.

**Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

- 2.3 The Council's Constitution sets out how decisions are made and the procedures that are followed to evidence open and transparent policy and decision making and compliance with established policies, procedures, laws and regulations
- 2.4 The full council sets the policy and budgetary framework and is responsible for the appointment of the Mayor; members of other bodies such as Scrutiny, other Committees, and local committees. It also adopts the Code of Conduct for Councillors, agrees any changes to the Councils constitution and terms of reference for committees, panels, and other member bodies. These meetings are open to the public, except where personal or confidential matters are being discussed. Reports from local community forums (for each area; Wimbledon, Raynes Park, Collier Wood, Morden, and Mitcham) are reported regularly to Council.
- 2.5 In 2020/21 formal Committees continued to meet, including Cabinet, the Overview and Scrutiny Commission and the Planning Application and Licensing Committees. The Annual Meeting was postponed until the autumn 2020. An ordinary meeting of full Council was held in July 2020.
- 2.6 A calendar for upcoming meetings is published on the council's website and all the minutes of the committees are published including any reports discussed. During 2020/21 the meetings were live streamed and available through different format such as audio and video with closed captions and available on platforms such as YouTube, making it transparent and accessible to everyone
- 2.7 The Overview and Scrutiny Commission and Panels are responsible for holding the executive to account, influencing the decision-making process, and shaping the development of new policy. Scrutiny oversees the development of the council's business plan and budget and takes an active role on financial and performance monitoring of council services. Three scrutiny panels cover all portfolios, and all areas of council activity. The Commission comprises fourteen members, four of whom are statutory co-opted members. The chair of the Commission is the leader of the Merton Park Ward Independent Resident Group.
- 2.8 The Council has the following scrutiny panels: - Overview and Scrutiny Commission; Sustainable Communities Overview & Scrutiny Panel: Healthier Communities & Older People Scrutiny Panel: Children & Young People Overview & Scrutiny Panel
- 2.9 The External Scrutiny Protocol sets out scrutiny powers, duties and responsibilities of the council and its partners. The protocol seeks to ensure all partners, statutory and non-statutory, adhere to the same principles for effective scrutiny, provide information, consider recommendations, and respond to the relevant overview and scrutiny panel within an agreed time frame. The protocol

forms part of the council's constitution.

- 2.10 The key principles of scrutiny in Merton, set out in the scrutiny handbook, are that it should be member-led, consensual, evidence-based, and relatively informal. The handbook also contains advice for councillors and officers on their respective roles, guidance, and practical steps on how to achieve successful scrutiny. It is based on experience of scrutiny in Merton, best practice research and examples from other local authorities.
- 2.11 An annual Members Scrutiny Survey was issued in March 2020, with 17 responses received. The results were reported to the Overview and Scrutiny Committee on 15 July 2020 together with an action plan containing measures for innovation and improvements over the coming year. An annual report outlining the work of the Overview and Scrutiny function over the course of the municipal year covering key discussion items and recommendations was agreed at Overview and Scrutiny Committee on 15 July 2020 and approved by Full Council on 18 November 2020.
- 2.12 The Standards and General Purposes Committee is responsible for a range of non-executive functions, including electoral matters and personnel issues. It also has responsibility for considering and making recommendations to Full Council on any changes to the council's Constitution. Its functions include ensuring compliance with relevant laws and regulations, internal policies and procedures, and overseeing council accounts and audit activity.
- 2.13 The Standards and General Purposes Committee has overall responsibility for promoting corporate governance and ensuring controls are adequate and working effectively. The Committee is also concerned with the promotion and maintenance of high standards of conduct within the council; the enforcement of the Member Code of Conduct; and advising the council on ethical governance matters. The Committee monitors the registers maintained in relation to gifts and hospitality received by councillors and offered to and accepted by staff. The Committee comprises twelve members, and the Council's two Independent Persons regularly attend as observers.
- 2.14 The Standards and General Purposes Committee fulfils the role of an Audit Committee in accordance with CIPFA recommended best practice, and this committee has overall responsibility for ensuring controls are adequate and working effectively.
- 2.15 The Standards and General Purposes Committee meeting in July 2020 agreed to commence a review of the Council's constitution and appoints a working group of members in conjunction with the Monitoring Officer to carry out that review. This review is in progress and has been added as an action (see table 1)

**Developing the entity's capacity, including the capability of its leadership and the individuals within it**

- 2.16 The Council's constitution sets out the roles and responsibilities of members and senior officers. The role of the corporate management team, including the statutory chief officers, such as the Head of Paid Service, Section 151 officer as

well as the Monitoring officer is to support members in the policy and decision-making process by providing assessments and advice to ensure that decision making is rigorous.

- 2.17 The Council has a designated Monitoring officer, who, after consulting with the Head of Paid Service (Chief Executive) and Director of Corporate Services, reports to the Full Council, or the Leader in relation to an executive function, if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission would give rise to unlawful action. The Monitoring Officer also oversees members complaints and conduct, and matters referred by the Standards and General Purposes Committee and delivers reports and recommendations in respect of those to this Committee.
- 2.18 The Council has adopted codes of conduct for its staff and its Members, including co-opted members. These are provided to all staff as they are inducted into the organisation. Members and co-opted members sign an undertaking to abide by their Code of Conduct at the point of their election or appointment. These Codes are always available for reference and reminders and training are provided as necessary. Each year (after Annual Council) Members are asked to declare their interests and at the start of all committee meetings A Council response to the consultation on the draft model Code of Conduct for Councillors, from the LGA (Local Government Association) was approved at July 2020 Standards and General Purposes Committee.
- 2.19 Members' induction training is undertaken after each local government election. In addition, an on-going programme of training and awareness is available for Members with formal and informal events each year, including all major changes in legislation and governance issues. In 2021/22 revised Code of Conduct training sessions, will be provided to members on the requirement of the revised Code of Conduct. Details of training provided are also reported to the Standards and General Purposes Committee.
- 2.20 A corporate induction programme is delivered to all new staff joining the Council, supplemented by department specific elements. In addition, further developmental needs are identified through the Council's Appraisal Scheme.
- 2.21 During 2020/21 the council adopted formal London Resilience (Gold, Silver, Bronze) arrangements to manage the coronavirus response in the borough. This comprised a Gold Command team consisting of CMT members meeting regularly to discuss complex decisions, a Silver level group initially meeting daily to bring all decisions to one place and consider their impact and Bronze level departmental meetings, where issues around staffing levels and service provision are resolved

**Defining outcomes in terms of sustainable economic, social, and environmental benefits. Determining the interventions necessary to optimise the achievement of the intended outcomes**

- 2.22 In 2019 the Council underwent an LGA Peer Challenge. The LGA team assessed the council as well managed, with clear priorities, good relationships with key partners and a constructive relationship between officers and elected

members. They felt though that Merton would benefit from a clear narrative setting out the future ambition for the borough that was developed with councillors, residents, and partners. Due to the changes of the impact of Covid the Council is currently working on a change programme.

- 2.23 The Recovery and Modernisation Programme started in 2020/21, which will include implementation of the recommendations for the LGA. This programme will also seek to reframe the council's relationship with its communities and the voluntary and community sectors. It will also ensure integration across different parts of the system. It has three broad connected objectives:
- developing and embedding the opportunities and benefits already evident through the experience of responding to the pandemic.
  - reimagining, rethinking and redesigning operating models.
  - delivering substantial improvements, efficiencies, and savings.
- 2.24 The Council is currently working on a place-based ambition for the borough. There is currently a major engagement programme to inform this, starting in the spring of 2021. This will result in the agreement of a new ambition that will inform the development of the Business Plan for 2022/26.
- 2.25 The Community Plan has been developed by the Merton Partnership and sets the overall direction and vision for the borough. The Business Plan sets out the Council's priorities for improvement over the next four years and is reviewed every year to ensure that it always reflects the most important improvement priorities. Service Plans are reviewed every year to ensure they outline the key issues and priorities for the department. The Medium-Term Financial Strategy (MTFS) outlines how much money the Council expect to receive over the next four years and in broad terms what we expect to be spending this on.
- 2.26 Reports on progress of the 202/2115 Business Plan were made to Cabinet on 7 September 2020, 9 November 2020, 7 December 2020, 18 January 2021 and 22 February 2021
- 2.27 The Constitution contains the requirements for consulting scrutiny on the budget and business plan. There is an initial phase of scrutiny in November each year, with the second round in January representing the formal consultation of scrutiny on the proposed Business Plan, Budget, and Capital Programme
- 2.28 Merton's Climate Strategy and Action Plan was adopted in November 2020. It sets an aim to reach the net-zero targets formed as part of our climate emergency declaration to decarbonise the borough by 2050 and the Council by 2030. It sets out the transformative change and high-level actions required to create a green and circular economy, to decarbonise Merton's buildings and energy supply, support a switch from petrol and diesel vehicles to greener alternatives. Spend on projects which support the aims of Merton's Climate Strategy and Action Plan in 2020 was in the region of £2m. The overall investment cost of decarbonising the borough was estimated to be in the region on £3.1bn and further £88m to meet the Council's 2030 target.

- 2.29 During 2020/21 Merton prepared a Local Outbreak Control Plan, which outlines seven steps in local preparedness to prevent, control and manage COVID-19 incidents and outbreaks, if and when they emerge. It describes our local whole system response and it has been developed with a wide range of stakeholders and overseen by the Health and Wellbeing Board. It was signed off by Chief Executive, the Director of Public Health, the Cabinet Member for Health, Social Care and the Environment and was published first on 30th June 2020 (A refreshed local outbreak management plan was prepared in April 2021).

### **Managing risks and performance through robust internal control and strong public financial management**

- 2.30 The financial management of the Council is conducted in accordance with the Financial Regulations set out in the Constitution. The Council has designated the Director of Corporate Services, as the Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. The financial strategy ensures the economical, effective and efficient use of resources including a financial management process for reporting the Council's financial standing. The Council's financial management arrangements conform to the requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (CIPFA 2016). A new Financial Management code was introduced by Cipfa which is effective from April 2022 but should be reflected by the Council from April 2021. A review of the Council's Scheme of Management is to be reviewed in 2021/22.
- 2.31 The annual financial planning process includes two rounds of budget scrutiny each year where the public can make representations in writing and at meetings. Budget monitoring reports are also presented and discussed at the quarterly Overview and Scrutiny Committee financial monitoring task group. In 2020/21 the Overview and Scrutiny Panels and the Overview and Scrutiny Commission examined the budget and business plan proposals in February 2021 relating to the service areas within their remit, as well as scrutinising the draft service plans, prior to submission to Cabinet on 22 February 2021 and full Council on 3 March 2021. Consultation has taken place with business ratepayers on 17 February 2021
- 2.32 The Director of Corporate Services is required to report to Council as part of the budget process on the robustness of the estimates and the adequacy of the proposed financial reserves. The Business Plan 2021-25 including the General Fund Budget and Council Tax Strategy for 2021/22, and the Medium-Term Financial Strategy (MTFS) for 2021-25 was agreed by Cabinet in February 2021. Following the Final Local Government Settlement, a balanced budget was achieved for 2021-22 with a budget gap on the MTFS rising to circa £3.9m, increasing to £4.4 in 2022-24. A Council Tax of 3.99% was set for 2021-22 which was within the referendum principles. Risk remains constant due to DSG Deficit and loss of income and increased expenditure due to Covid 19 response
- 2.33 The financial impact on the Council was monitored throughout the year and reported regularly to the Overview and Scrutiny Commission. A monthly return detailing the impact to date and forecasts to the end of 2020/21 was submitted

to the Government to help inform the national response and funding arrangements. Additional funding was provided in the form of non ring-fenced grants to mitigate the financial impact on the Council, and ring fenced grants to deliver additional support and initiatives to residents and communities in addition to usual Council services. The council has been able to claim one-off funding to offset some of the loss of income attributed to the pandemic e.g. loss of income from closed leisure facilities, loss of rental income and loss of parking income. Additional funding has been provided by the Government to local authorities to cover additional costs. These costs are being regularly monitored and reported to MHCLG. Funding has also been provided for business and the voluntary sector.

- 2.34 Annual Service Plans are subject to regular monitoring and review, KPIs agreed and embedded within team service plans which in turn are integrated with individual's appraisal targets. Performance reports are produced in accordance with agreed timescales and include regular reporting of both Key and Service-related Performance Indicators.
- 2.35 The Council has a performance planning process supplemented by detailed business planning to establish, monitor, and communicate the Council's objectives. This includes a performance management system that sets key targets and reports on performance monitoring. The performance management framework is utilised to measure the quality of services for users, to ensure that they are delivered in accordance with the Council's objectives and that these services represent the best use of resources and value for money.
- 2.36 Review and challenge of PIs are established as part of service planning with monthly, quarterly, and annual returns e.g. monitor if changes markedly from prior measure. London Authority Performance Solutions provides current comparison data across London for approximately 30 Indicators to compare and challenge if our data changes markedly and report to Corporate Management Team
- 2.37 The Council has a risk management process to identify, assess and manage those significant risks to the Council's objectives including the risks of its key strategic partnerships. The risk management process includes a risk management strategy, corporate and directorate risk registers. Key corporate risks are regularly reviewed by the Corporate Risk Management Group, Corporate Management Team and an annual report is presented to the Standards and General Purposes Committee. An Internal Audit review on the effectiveness of the council's risk management arrangements was undertaken in 2019/20 and provided a substantial assurance.
- 2.38 During 2020/21 Covid-19 Risk register set up at an early stage of the pandemic to record any potential issues. These were evaluated and action plans put in place to mitigate significant risks. Registers were reviewed by divisional and departmental management teams on a regular basis. These risks were added to the main corporate risk register in January 2021.
- 2.39 Considerations of the Council's Key Strategic Risks, including Covid related risks

and the Risk Management Strategy 2019 was approved by Standards & General Purposes Committee in March 2021.

- 2.40 The Information Governance Board meet six weekly to discuss information governance issues and to review policy, procedures, and breaches, with representatives from each department and key officers. Information Security training has been in place for over 10 years. Additional bite size on-line cyber security training was put in place for officers in 2020/21. An Internal Audit review on Cyber Security in 2020/21, received a limited assurance and has recommended increased oversight on the numbers completing the Information Security training.
- 2.41 Business Continuity and Disaster Recovery Plans were reviewed and updated in 2020/21 as a result of the current Covid-19 pandemic.

**Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

- 2.42 The Council's commitment to openness and transparency to publish data is freely available on the Councils website. A review of compliance with the Transparency Agenda undertaken in 2020/21.
- 2.43 To ensure that concerns or complaints from the public can be raised, the Council has an established formal complaints policy which sets out how complaints can be made, what should be expected and how to appeal. An annual complaints reports is presented to S&GP committee. There is a formal process to deal with Freedom of Information requests and Subject Access requests.
- 2.44 Declaration of Interests (officers) form and guidance was updated during 2020/21. The Gifts and Hospitality guidance and process are due to be reviewed in 2020/22.
- 2.45 A Whistleblowing Policy has been adopted to enable staff, partners and contractors to raise concerns of crime or maladministration confidentially. This has been designed to enable referrals to be made without fear of being identified. These arrangements are part of ensuring effective safeguarding, counter-fraud and anti-corruption arrangements are developed and maintained in the Council. The operation of this policy is overseen by the Head of Internal Audit, Head of Fraud, Legal human resources and the Monitoring Officer on a monthly basis.
- 2.46 The Whistleblowing Policy was reviewed and updated for approval at S&SP November 2020 committee. Regular Fraud update reports were presented to the Standards and General Purposes committee.
- 2.47 RIPA inspection undertaken by the Investigatory Powers Commissioner's Office (IPCO) in January 2020, which provided a satisfactory outcome, but with some recommendations for improvement. These covered revising the RIPA policy, adding an additional quality check and refresher training. All these recommendations were implemented, training was provided in January 2020 and a revised RIPA policy approved by S&GP Committee in July 2020.



- 2.48 The Council maintains an effective Internal Audit service that has operated, in accordance with the Public Sector Internal Audit Standards. The Council's assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2019)*. An internal Public Sector Internal Audit Standards review for 2019/20 of the Internal Audit service concluded that the service is satisfactory and fit for purpose. A five-year external review was also undertaken in May 2018 and provided a compliance assurance.
- 2.49 Internal Audit is responsible for monitoring the quality and effectiveness of internal controls. Using the Council's risk registers and an audit needs assessment, a plan of internal audit work is developed. The outcome of the internal audit risk-based work is reported to Directors and regularly to the Standards and General Purposes Committee. Implementation of recommendations is monitored, and progress reported. Regular Fraud update reports are presented to the Standards and General Purposes Committee by the SWLFP. A revised Anti-Fraud and Corruption strategy was approved by the Standards and General Purposes Committee in 2019/20.

### **Ensuring openness and comprehensive stakeholder engagement**

- 2.50 The Community Plan 2020-25, was published in 2020, setting out the Merton Partnership's long-term ambition for the borough. This was updated to reflect recent learning and case studies from the Covid-19 response. This report was taken to the MPEB in October 2020.
- 2.51 The Merton Community Plan 2020 -2025 sets out the achievements of the Partnership over recent years and priorities for the next five years. The Community Plan has eight thematic priorities which were agreed by the relevant Thematic Networks of the Merton Partnership (Safer Merton, Health and Wellbeing, Children's Trust and Sustainable Communities and Transport).
- 2.52 The Merton Partnership is responsible for the delivery of the Merton Community Plan (the Sustainable Community Strategy). The Partnership is chaired by the Leader of the Council and hosts an annual themed conference. It has an Executive Board, also chaired by the Leader of the Council that meets quarterly and whose role is to set the strategic direction of the Partnership and manage the delivery of the priorities and targets set out in the Community Plan.
- 2.53 The Merton Partnership Governance Handbook and the Performance Management Framework set out the respective governance and performance management arrangements for the Merton Partnership, including the thematic partnerships sitting under the Partnership and Executive Board (namely the Health and Wellbeing Board, the Children's Trust, the Sustainable Communities and Transport Board, and the Safer and Stronger Communities (which also serves as the Community Safety Partnership).
- 2.54 The Merton Partnership and its thematic Boards and working groups provide a mechanism for the Council to engage with key stakeholders. Most of the Partnership Boards meet quarterly and have clear governance arrangements. The MVSC are being commissioned to provide training to community groups.

- 2.55 The principles guiding the relationship and conduct between the council and voluntary, community and faith sector is set out in the Merton Compact (last refreshed in 2011). The Merton Compact is a partnership agreement between local public bodies and the voluntary and community sector to improve the relationships. The Merton Compact subscribes to the principles of the National Compact, setting out principles and values of the partnership and aims to achieve a Compact way of working
- 2.56 The Merton Compact is monitored by the Compact Board, comprising of representatives from public bodies including Merton Council (political and officer), Merton CCG, the police, the Fire Brigade and South Thames College and local representatives from the voluntary, community and faith sector. A dispute resolution procedure has been developed to help organisations through the difficulties associated with disputes and disagreements. This group did not meet in 2020/21.
- 2.57 The Council maintains a Partnerships Register which captures details of partnership bodies the council is involved in that are outside the standing bodies of the council, but which inform policy development or implementation. The Partnerships Register is reviewed annually to ensure it is up to date and is published on the council's intranet and website.
- 2.58 The Merton Partnership developed a new Voluntary Sector and Volunteering Strategy in 2017 to inform and guide its collective approach to sustaining a thriving voluntary sector. This new Strategy will guide the requirements for the Council's Strategic Partner programme that commissions advice and information services, as well as support for the voluntary sector.
- 2.59 The Council publishes an annual report setting out expenditure with the Voluntary and Community Sector, including notional funding and business rate discounts. Merton partnership annual review was not produced in 2020/21 due to Covid
- 2.60 The Council has continued to work with partners, local and regional authorities across London and government through London emergency planning arrangements. The Chief Executive co-ordinator of the response in South West London and is Merton's representative on the London-wide local government response team,
- 2.61 The Council has increased its engagement with stakeholders on the pandemic, which has included:
- A dedicated set of Covid-19 web pages with advice on health, financial support, business support and stakeholder support with daily updates to local services, closures & the establishment of the Community Hub with MVSC,
  - Weekly borough e-newsletter, Merton Business e-newsletter, Social media, and e copy of My Merton. A weekly Covid-19 update to all members & MPs.

- An e-newsletter called Merton Together has been issued to a large partnership circulation during 2020/21 and publication has now moved to quarterly from twice yearly.
- 2.62 The Council worked with the VCS and CCG to mobilise the Community Response Hub and shielding service
- 2.63 Merton Partnership Annual Review was not produced in 2020/21 as it was not required by Overview and Scrutiny Commission. A Covid impact update report was submitted to February 2021 Merton Partnership Executive Board (MPEB) with contributions from each thematic
- 2.64 COVID-19 Community Engagement Group was established in 2020 as a reference group focusing on vulnerable and/or marginalised residents who are less engaged with public services, to inform and enhance the local COVID-19 response and recovery. This groups sits within the Health and Wellbeing Board (HWBB) structure.
- 2.64 Compact Board meetings were deferred since the last meeting in February 2020 due to Covid. A new Chair plans to restart meetings in autumn 2021, incorporating a light touch review of the role of the Compact Board.

### 3. Council owned companies

- 3.1 A review was carried out by the Committee on Standards in Public Life on Local Government Ethical Standards in January 2019 which recommended areas of best practice.

Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principles of openness and publish their board agendas and minutes and annual reports in an accessible place.

- 3.2 Merton Council has established two companies. During 2020/21 the Monitoring Officer commenced a review on the governance arrangements for the local authority owned companies, which will be completed in 2021/22 (added to action plan)

**CHAS 2013 Ltd (CHAS).** The company was incorporated on the 28<sup>th</sup> March 2013, to provide both desktop and onsite supplier/contract risk management assessment and services. There are 4 Council officers listed as Directors, the Director of Environment and Regeneration, the Assistant Director of Adult Social Services, Head of Regulatory Services, an officer from SLLP and a managing director. The accounts are audited by EY and filed and published with Companies House. A note is also included in the council's main accounts.

**Merantun Development Limited.** The company was incorporated on the 9<sup>th</sup> August 2017, to undertake new housing build for 77 residential units. There are 4 council officers listed as directors, the Assistant Director of Resources, Head of Regulatory Services, an officer from Sllp, and the Assistant Director of

## Sustainable Communities.

The shareholders board (Merantun Development Limited subcommittee) has 3 Councillors; the Leader of the council, Cabinet Member for Regeneration, Housing and Transport and the Deputy Leader and Cabinet Member for Finance. The sub committee meets 3 or 4 times a year and minutes and agendas are published on the council's website. The accounts are audited by Ernst & Young and are filed and published with Companies House.

A decision was made by Merantun Development Limited subcommittee in December 2020 to dissolve the company Merantun Development Ltd in 2021/22.

## **4 Review of effectiveness**

5.1 The London Borough of Merton has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, Standards and General Purposes committee, the Head of Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates and others as appropriate.

5.2 A governance review was undertaken on the Councils arrangements against each of the principles as summarised above. Other assurances are also considered such as: -

- The opinion of the external auditors in their reports and annual letter.
- Other review agencies, through their inspection arrangements, such as the Care Quality Commission and Ofsted.
- Assurance visit by Ofsted in October 2020 with a positive outcome.
- LGA peer reviews, PSN Code of Connectivity assessments.

5.3 The review has shown that the governance framework is consistent with the principles of the CIPFA / SOLACE best practice framework and the examples of the arrangements that should be in place. Internal Audit has reviewed the effectiveness of the system of internal control for 2020/21. The Head of Internal Audit opinion based on this work, is that the system of internal control is generally sound and effective. Controls to manage principal risks are monitored by service managers. This includes services with statutory responsibilities for the safety of vulnerable people.

## **6 Internal Audit Outcomes**

- 6.1 The Head of Audit is required to provide the Council with an opinion on the adequacy and effectiveness of the internal control environment. In the Annual Report on the work of Internal Audit during 2020/21 the Head of Internal Audit is satisfied that sufficient internal audit work has been undertaken to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's control environment.
- 6.2 The review of the governance framework in place at the London Borough of Merton concluded that it is fit for purpose in accordance with the governance framework.

**Table 1 Update on issues identified in previous years review for 2020/21**

<b>Issues</b>	<b>Action taken</b>
<p>1. A recovery plan for the easing of the lockdown and an assessment of the long-term disruption and consequences arising from the coronavirus pandemic</p>	<p>During 2020/21, the Council started planning for recovery. This included short term, medium term and long-term changes, with an assessment undertaken on services to restart, stop, retain or change.</p> <p>The Council started working on a place-based ambition for the borough. A major engagement programme to inform this is currently taking place. This will result in the agreement of a new ambition that will inform the development of the Business Plan for 2022/26.</p> <p><b>This action has been rolled over into the 2021/22 action plan.</b></p>
<p>2. LGA review- summary of recommendations</p> <ul style="list-style-type: none"> <li>• Develop a strategic vision for Merton as a place, with priorities that reflect the council's place-shaping role. The council's Business Plan reviewed to ensure that capacity is focused to deliver the new objectives.</li> <li>• Review budget planning in line with the strategic vision to allow for the development of a clearer Medium-Term Financial Strategy.</li> <li>• Rationalise internal governance to allow for more streamlined decision making. Improve the scrutiny function at the council, to ensure scrutiny of political objectives through more effective agenda setting</li> </ul>	<p>Working groups were set up for 5 work streams, each with a senior management lead and a CMT lead. This work started in 2019/20 and was put on hold at the early stage of the pandemic but recommenced during 2020/21. This work is part of the Recovery and Modernisation programme.</p> <p><b>This action will be included in the above action and rolled over</b></p>

<p>3. Corporate Business Plan &amp; balanced budget</p>	<p>The Business Plan 2021-25 approved 03-03-2021. Saving targets have been set. Following the Final Local Government Settlement, a balanced budget was achieved for 2021-22 with a budget gap on the MTFS rising to circa £14.3m in 2024-25. A Council Tax of 3.99% was set for 2021-22 which is within the referendum principles. Risk remains constant due to DSG Deficit and loss of income and increased expenditure due to Covid 19 response.</p> <p><b>This action has been rolled over to the action plan for 2021/22 (increasing financial pressures) as there remains significant risk and uncertainty on both funding and also the impact of the pandemic on residents and businesses.</b></p>
<p>4. Annual Savings Programme (from 2019/20 action plan) We might fail to deliver the savings of £15.7m which have been agreed for the period 2020/21 to 2023/24 (the period of budget decisions required by this council).</p>	<p>The monthly monitoring report is forecasting a shortfall in savings in 2020/21 of £2.1 million due to the impact of Covid 19 Delivery of savings is carefully monitored and reported as they are critical to balance the budget and reported to government for potential further support.</p> <p><b>This action will be included in the increased financial pressure action for 2021/22</b></p>
<p>5. Brexit (from 2019/20 action plan) A working group of members and officers to monitor the impact of Brexit</p>	<p>During 2020/21 the Council participated in London-wide planning and information-sharing arrangements to mitigate uncertainty. A programme of communication was undertaken, which included communicating with providers of goods and services, the public, voluntary and community partners as well as business. Residents were provided with information on how to register for the settled status.</p> <p>The Council has undertaken all actions on Brexit advised by the government.</p> <p><b>This action can be closed</b></p>
<p>6. Internal Audit work relating to Declaration of Interests Officers The guidance was not readily available, and officers were not routinely completing the forms, those officers in a senior role, budget holder</p>	<p>A new form and guidance have been prepared for officer Declaration of Interest and the process started for the completion and review of these. An internal Audit review provided a Substantial Assurance, with some recommendation for improvement.</p>

<p>or those responsible for procurement. The declaration of interest form has been in the process of being updated for the last few years but has not been agreed.</p>	<p><b>This action can be closed</b></p>
<p>7. Public Contract Regulations/Contract Standing Orders (from 2019/20 action plan) and Internal Audit work relating to Procurement. Recent audit findings have found the following weaknesses: -</p> <p>Improvements required on compliance with CSO on tendering, exemptions and extensions to contracts Evidence of signed contracts or extensions letters (by both parties) not in place. Contract monitoring was found to be limited. Contract Register requires updating.</p>	<p>Regular training is now in place for managers on CSO. Issues identified in the audit have been discussed at the corporate procurement board and monitoring of compliance is included in the Operational Procurement Groups. Another internal audit review has been requested for 2020/21.</p> <p>A review and update of Contract Standing Orders was started in September 2020, in conjunction with a wider review of the constitution and the drive to improve compliance with legislative requirements is being further supported through the introduction of specialist procurement training for those individuals who are responsible for procurement as part of their normal duties.</p> <p><b>This action has been rolled over into 2021/22 action plan.</b></p>

**Table 2 Issues identified for 2021/22:**

<b>Issues</b>	<b>Action</b>	<b>Responsible Officer</b>
<p>1.A recovery plan for the easing of the lockdown and an assessment of the long-term disruption and consequences arising from the coronavirus pandemic <b>Carried over from 2020/21 action plan</b></p>	<p>A Recovery and Modernisation Programme to reframe the council's relationship with its communities and the voluntary and community sectors to ensure integration across different parts of the system. It has three broad connected objectives:</p> <p>The Council is currently working on a place-based ambition for the borough. A major engagement programme to inform this is currently taking place. This will result in the agreement of a new ambition that will inform the development of the Business Plan for 2022/26.</p>	<p>Chief Executive</p>
<p>2. Increasing financial pressures. <b>Carried over from 2020/21 action plan</b></p>	<p>Budget setting for 2022/23 will begin early following a further review of existing savings proposals as part of budget monitoring, and an updated evaluation of financial risks and potential growth. This will seek to protect the Council's financial position by identifying early whether or not</p>	<p>Director of Corporate Services</p>

	additional savings proposals are required for next year so that we can set the budget without drawing on unearmarked reserves. The forecast will be updated based on the latest information available at key points over the next year. As at the end of May 2021 the expected budget gap for 2022/23 remains at £3.9m as set out in the budget report	
3.Constitution	Review of the Council's constitution by a member working group. This was agreed by Full Council on 7 <sup>th</sup> July 2021.	Monitoring officer
4.Financial Regulation and procedures and departmental Schemes of Delegation	Review and update of the financial regulations and procedures and Scheme of Delegation.	Director of Corporate Services
5.Contact Standing Orders  <b>Carried over from 2020/21 action plan</b>	A review and update of Contract Standing Orders has been undertaken, in conjunction with a wider review of the constitution and the drive to improve compliance with legislative requirements is being further supported through the introduction of specialist procurement training for those individuals who are responsible for procurement as part of their normal duties. This was agreed by Full Council on 7 <sup>th</sup> July 2021.	Chair of Procurement Board
6.Governance review of Local Authority Trading companies	A review of the governance arrangements	Monitoring officer

- 6.3 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed: Leading Member**

**Signed: Chief Executive**