

Committee: Standards and General Purposes
Committee

Date: 30 July 2018

Agenda item:8

Wards: All

Subject: Annual Governance Statement 2017/18

Lead officer: Caroline Holland – Director of Corporate Services

Lead members: Peter McCabe- Chair of Standards and GP Committee

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Recommendations:

That Committee agrees the Annual Governance Statement.

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 Merton Council is required to prepare an Annual Governance Statement (AGS) for the year 2017/18. This statement is required in order to comply with Regulation 6(3) of the Accounts and Audit Regulations 2015. The CIPFA framework and guidance has been updated from April 2017, to move from 6 core principles to 7.

2. DETAILS

2.1 The purpose of the AGS is to report on the robustness of the Council's governance arrangements. Corporate governance is defined, for the purposes of this report, as:

“ The framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, and lead and control their functions, to achieve objectives. The quality of corporate governance arrangements is a key determinant of the quality of services provided by organisations.”

2.2 The AGS is effectively a commentary on how well Merton Council manages itself. In recognition of this, a Corporate Governance Steering Group was established in 2007/08, the first year when the AGS came in to force, in order to oversee and advice on the preparation of the AGS. The current membership of this group is:

Caroline Holland	Director of Corporate Services
Paul Evans	Assistant Director Governance
Margaret Culleton	Head of Internal Audit
Zoe Church	Head of Business Planning
Fiona Thomsen	Head of Shared Legal Services
Julia Regan	Head of Democracy Services
Karin Lane	Head of Information Governance
Kim Brown	Head of Organisational Development & HR Strategy
John Dimmer	Head of Partnerships

2.3 The new Framework consists of seven core principles:

Principle 1 Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

Principle 2 Ensuring openness and comprehensive stakeholder engagement.

Principle 3 Determining outcomes in terms of sustainable economic, social, and environmental benefits.

Principle 4 Determining the interventions necessary to optimise the achievement of the intended outcomes.

Principle 5 Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Principle 6 Managing risks and performance through robust internal control and strong public financial management,

Principle 7 Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

2.4 A new *Delivering Good Governance in Local Government: Framework*, (CIPFA/Solace, 2016) applies to annual governance statements prepared for the financial year 2016/17 onwards. The concept underpinning the Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

2.5 The working group has carried out a review of the council's arrangement against the new standard and we found that the arrangements can continue to be regarded as fit for purpose in accordance with the governance framework. There are a few areas that have been carried over from the previous year that are currently in progress These are: -

- **Financial procedures** review and update
- **Potentially Violent persons Policy** process to be put in place with new core systems
- **New financial system** – to review internal controls in light of new financial system
- **Disclosure & Barring Service (DBS)** To carry out a full review of all staff to be DBS checked
- **GDPR-** to be fully compliant

Changes to Local Authority governance structures

2.6 Merton continues to undergo significant change, much of which has been driven by austerity measures. In order to cope with this climate of austerity, the council continues to adapt the way in which it operates.

2.7 Commissioning and Partnerships with other local authorities and sectors are being used more to deliver public services. As each partner organisation has its own governance and accountability structure, its own code of conduct and risk management and transparency arrangements. It is important that clear lines of accountability for stakeholders and customers are demonstrated. The Internal Audit Partnership works across five councils and has been able to provide assurance on some of the partnerships e.g. Regulatory Services. During 2018/19 a review is being carried out on the South London Waste Partnership.

2.8 Robust governance arrangements should be established at the outset when working with other authorities, public sector bodies, the third sector or private sector providers. These are areas that are included in the internal audit reviews and recommendations made where weaknesses have been identified.

Review of effectiveness

2.9 The council has a responsibility for conducting, at least annually, an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

2.10 The review of effectiveness of the system of internal control is informed by the work of the internal auditors. Effectiveness of the system is also

conveyed by Directors, Assistant Directors and Heads of Service within the authority that has responsibility for the development and maintenance of the internal control environment. The overall opinion is that the internal control environment is satisfactory.

3. ALTERNATIVE OPTIONS

- 3.1 There are no alternative options as the AGS is a statutory requirement, as stated at paragraph 1.1 above.

4. CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1 No external consultation has taken place or is planned for this document.

4. TIMETABLE

- 5.1 This report has been prepared to meet the timetable for the approval of the Statement of Accounts.

5. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 5.1 There are no specific financial, resource or property implications apart from the need to implement the AGS Improvement Plan, which will be completed within existing resources

6. LEGAL AND STATUTORY IMPLICATIONS

- 6.1 The AGS is a statutory requirement, as stated at paragraph 1.1 above.

7. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 7.1 There are no specific human rights, equalities or community cohesion implications, except in so far as this report is wholly concerned with good governance

8. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 8.1 There are no specific risk management or health and safety implications other than the assessment of the Council's risk management arrangements in the AGS

9. APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- 9.1 Appendix I: Annual Governance Statement 2017/18.

10. BACKGROUND PAPERS – THE FOLLOWING DOCUMENTS HAVE BEEN RELIED ON IN DRAWING UP THIS REPORT BUT DO NOT FORM PART OF THE REPORT

- 10.1 CIPFA / SOLACE Delivering Good Governance in Local Government – Framework 2016
- 10.2 CIPFA / SOLACE Delivering Good Governance in Local Government – Guidance Note for Local Authorities 2016

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