

## **ANNUAL GOVERNANCE STATEMENT 2021/22**

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. Merton Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. Merton Council 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 senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also by comments made by external auditors and other review agencies and inspectors.
- 1.3 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.

### **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 The Governance Framework summarised in this Statement has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts. Some of the key elements of the Authority's governance framework are described below.

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

- 3.1 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. The Monitoring Officer completes an annual review of the Council's Constitution to ensure its aims and principles are given full effect.
- 3.2 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 Council's 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.
- 3.3 The Cabinet is the part of the Council that is responsible for most executive decisions. The Cabinet is required to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision that is outside the budget or policy framework, the decision must be referred to the Council as a whole to decide.
- 3.4 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 2021/22 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
- 3.5 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. In 2021-22 the chair of the Commission is the leader of the Merton Park Ward Independent Resident Group.
- 3.6 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
- 3.7 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.

- 3.8 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.
- 3.9 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. The Committee comprises twelve members, and the Council's two Independent Persons regularly attend as observers.
- 3.10 The Standards and General Purposes Committee is a key component of the Councils corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. The Council's Standards function is undertaken by this committee, as well as discharging its responsibility as an audit committee. The terms of reference cover all of the requirements and members are regularly trained and updated on their responsibilities. During 2021/22 the following areas were discussed at this committee: -

Member complaints process (revised), Constitutional changes and revisions to CSO (June 21). Complaints against members, AGS and Internal Audit Annual report (July 21) Final accounts, RIPA applications and recruitment of an independent person (sept 21). Annual report on members and officers' gifts and hospitality, external and internal audit reports (November 2021), Member training programme, external and internal audit reports and verbal update on member complaints (March 2022).

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

- 4.1 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 (Chief Executive) and 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, lawful and risk based.
- 4.2 The Council has a designated Monitoring Officer, who, after consulting with the Chief Executive and the Director of Corporate Services, may report 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' matters referred by the Standards and General Purposes Committee and delivers reports and

recommendations in respect of those to this Committee.

- 4.3 There are clear roles and responsibilities held within the financial regulations and leadership roles are defined within the Council Constitution.
- 4.4 The Standards and General Purposes Meeting in March 2021 agreed a revised Code of Conduct for members based on the model code drawn up by the Local Government Association. This followed consideration of the draft code by the cross-party working group set up in 2020/21 to oversee a review of the Council's constitution. The revised code was approved by full Council on 7 July 2021. 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 available for reference and reminders and training provided, as necessary. Each year (after Annual Council) Members are asked to declare their interests and at the start of all committee meetings. The Monitoring Officer ran a number of training sessions for Members on the new Code of Conduct in Autumn 2021.
- 4.5 A revised members complaints process to support the new Code of Conduct for members was approved by Standards and General Purposes in June 2021.
- 4.6 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, covering all major changes in legislation and governance issues. Details of Member development programmes are reported regularly to the Standards and General Purposes Committee. A new member induction programme was agreed by Standards and General Purposes Committee in March 2022, for Councillors elected in the May 2022, local elections.
- 4.7 The Council has adopted codes of conduct for its staff. These are provided to all staff as they are inducted into the organisation. The 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. The staff induction programme has been delivered on-line since 2020.

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

- 5.1 The Council's 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. The Business Plan 2021-25 was approved by Overview and Scrutiny and Cabinet in February 2021.

5.2 Reports on progress of the 2021/22 Business Plan were made to Cabinet on 11 October 2021, 8 November 2021, 6 December 2021, 17 January 2022. and 7 February 2022 (Business Plan 2022-26 approval).

5.3 The Mission for Merton set out the following principles: -

- Safer Merton: covering the drive to make the borough a safer place, tackling anti-social behaviour in particular, and to ensure cohesion between communities and generations.
- Sustainable Merton: a commitment to improve the local environment whilst providing access to better local amenities, transport and social housing.
- Enterprise Merton: a commitment to stimulate enterprise in the borough, reduce red tape to support small businesses, promote employment opportunities and keep council tax down.
- Healthy Merton: a commitment to enhance the lives of vulnerable, younger and older residents through improving health and social opportunities.
- Opportunity Merton: a programme to improve education, from nursery level to adult provision, to develop local cultural and leisure offers for all, and to increase participation in local decision making.

5.4 Following a 2019 Local Government Association peer review and the impact of Covid-19, the Council developed a single, co-ordinated change programme. The Recovery and Modernisation Programme (R&MP) is a council wide programme of improvement, both internal and within the local community. The programme consists of various work streams which are expected to deliver benefits to the Council through change. The R&MP has three broad connected objectives:

- Developing and embedding the opportunities and benefits already evident through the experience of responding to the pandemic
- Re-imagining, rethinking and redesigning operating models
- Delivering substantial improvements, efficiencies, and savings.

5.5 The Recovery and Modernisation programme (R&MP) is overseen by CMT. The R&M Governance Framework has a Change Board within each of the four Council departments, and 9 cross-cutting workstreams. Information from each Change Boards feeds into the R&MP Board who have responsibility for the strategic leadership and oversight of the Modernising Merton Programme.

5.6 The Council is working on an ambition for the borough. In the spring of 2021, the major engagement programme started to inform this. Early in 2021 the council commissioned a company to assist with developing and delivering the borough wide engagement programme called 'Your Merton'. The engagement took place from April to August 2021. It was made up of four distinct but complementary strands:

- Residents Perception survey.
- Open access digital platform – Commonplace.
- Focus groups delivered on our behalf by local VCS groups In-depth

deliberative workshops with residents.

**Action 1 Development of a new ambition for the Council that will inform the development of the Business Plan for 2022/26**

- 5.7 The Constitution contains the requirements for consulting Overview and 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
- 5.8 The Community Plan has been developed by the Merton Partnership and sets the overall direction and vision for the borough.
- 5.9 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. This has been included as an Action on the 2022/23 action plan.

**Action 2: Ongoing review and monitoring of progress against the Councils Climate Change Action plan, including lobbying for funding and oversight.**

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

- 6.1 The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Councils policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 6.2 Internal Audit reviews in 2021/22 provided 76% substantial assurance that controls were in place. There were 8 limited assurance reviews in relation to weaknesses in: -
- Procurement (CM2000 and children placement commissioning),

- Schools in relation to agreed budget deficits and fixing the agreed budgets on the financial system.
  - Other reviews found weaknesses in: Cyber security, DBS renewal checks, Parking enforcement – agreements procedures, transport strategy, adoption, fostering and SGO annual reviews and payments.
- 6.3 Where weaknesses are identified, follow up action is undertaken to ensure prompt improvement of controls. The council has 6 outstanding actions carried over from 2020/21, and 16 outstanding actions from 2021/22, currently in progress.
- 6.4 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 corporate and Departmental risk registers. All departments review their risks quarterly at their respective DMTs, followed by a review of all risks by the Corporate Risk Management Group (CRMG). The final quarterly report is presented to CMT to review the risks that are on the Key Strategic Risk Register (KSRR); these are significant risks, which may have a strategic impact on the council. The top strategic risks for the council have been identified as.
- budget pressures,
  - supporting children with additional needs,
  - implementation of the Climate Action Plan
  - risk of a Cyber-attack.
- 6.5 The risk management strategy was updated in January 2022 and approved by Cabinet on 7 February 2022 and approved by Council on 2 March 2022 as part of the 2022/26 Business Plan. The Risk Management Strategy and Key Strategic Risks are reported to Standards and General Purposes Committee (last reported to March 2021 committee). A report will be presented in 2022/23.
- 6.6 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.
- 6.7 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. 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. Performance reports are produced in accordance with agreed timescales and include regular reporting of both Key and Service-related Performance Indicators.
- 6.8 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

- 6.9 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.
- 6.10 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). 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
- 6.11 A new Financial Management code was introduced by CIPFA, setting out the standards for financial management in Local Authorities. The FM Code applicable in full, from 2021/22, is the collective responsibility of elected members, the Section 151 Officer and the leadership team of the Council to ensure that compliance with the code is monitored and that the requirements are being sufficiently met. The principles of the FM Code are supported by specific standards and statements of practice which are considered necessary to provide the strong foundation to financially manage the short-, medium- and long-term finances of a local authority and financial resilience to meet demand on services
- 6.12 A review of the Council's current financial management arrangements has been undertaken against the FM Code, in 2021/22. The findings from this review and a set of proposed actions to further improve the financial management arrangements were reported to CMT.
- 6.13 A review of the Council's Financial Regulations, Financial Procedures and Schemes of Management are currently in progress. This has been included as an action on the AGS 2022/23 action plan.

<p><b>Action 3: A review of the financial regulations and financial procedures to ensure they reflect the Councils processes and other procedures.</b></p>
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- 6.14 The Council uses Cipfa's financial resilience index tool. This is a comparative analytical tool used by local authorities to provide an understanding of the council's financial resilience and risk. It highlights areas requiring additional scrutiny. The current analysis shows that the council has low financial risk, compared to other London Boroughs.
- 6.15 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.
- 6.16 The financial impact on the Council was monitored throughout the year and reported regularly to the Overview and Scrutiny Commission. In 2021/22 the Overview and Scrutiny Panels and the Overview and Scrutiny Commission

examined the budget and business plan proposals in February 2022 relating to the service areas within their remit, as well as scrutinising the draft service plans, prior to submission to Cabinet and full Council on 2<sup>nd</sup> March 2022. Consultation has taken place with business ratepayers in February 2022.

- 6.17 The January (period 10) monitoring report for 2021/22 presented to Cabinet on 21 March 2022 forecast a net adverse variance to the Council of £6.592m.
- 6.18 The final 2021/22 Revenue outturn against revenue was £5.785m overspend, offset by the use of Corporate Provisions (including Covid Funding and other grants) to deliver an underspend overall of £0.630m. (this excludes the accounting for the Dedicated Schools Grant). As a result of hard-fought negotiations with the DfE and the subsequent Safety Valve Agreement, a contribution of £11.6m was received to reduce the deficit. As a result, the budgeted level of monies for the offset provision were not required, resulting in an overall favourable variance of £10.8m. There will be future budget restraints for the Council, with increased inflationary pressures, legacy pandemic costs, and potential impact of white papers on social care reforms. This is an area identified on the Key Strategic Risk Register as a high risk and has been included in the 2022/23 action plan.

<p><b>Action 4: Financial planning to develop longer term financial plans aligned to the Business Plan.</b></p>
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- 6.19 The Council has established processes to manage the risk of the loss of personal data, of which a significant amount is held across many areas. The processes include mandatory training for staff, publication of guidance and an Information Security Policy. Prompt reporting of any security incident is following up and oversight of is provided by the Information Governance board which meets 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 is in place.
- 6.20 Business Continuity and Disaster Recovery Plans were last formally reviewed and updated in December 2020, but interim arrangements were in place during the Covid pandemic and are due to be reviewed in 2022/23.

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

- 7.1 The Council's commitment to openness and transparency to publish data is freely available on the Councils website.
- 7.2 The council publishes most of the information specified by the governments Open Data requirements on the councils Open Data webpage. An Internal Audit review of compliance with the Transparency Agenda was undertaken in 2021/22 and provided a substantial assurance.

- 7.3 Under the Freedom of Information (FOI) Act, a public authority must respond to an FOI request within 20 working days. The council is measured against a target of 90% of FOI requests dealt with in time. In 2021/22, a total number of requests made were 1341, in which 1171 (87%) were responded to in time. Performance is reported to the Corporate Management Team monthly and is also published on the council's website via the performance monitoring dashboard.
- 7.4 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, the latest policy was last reviewed in April 2017, and is currently under review to bring it in line with the Ombudsman guidance that was issued in October 2020, to be available during 2022/23. New templates have been written to help services respond to complaints. All complaint responses are quality checked by the complaints team

**Action 5: A review of the Complaints process and policy.**

- 7.5 Council's performance in responding to complaints is reported to the Corporate Management Team on a monthly basis and published on the council's performance monitoring dashboard. An annual complaints report is reported to S & GP. The last annual report 2019/20 went to S&GP Committee in March 2021. A report is currently being drafted for prepared for 2020/21 and a report will then be prepared for 2021/22. The number of complaints received by the Council has increased from 410 in 2020/21 to 720 in 2021/22. The number of complaints escalating to stage 2 has risen slightly from, 10.4% in 2020/21 and 10.8% 2021/22. The number of Ombudsman referrals has reduced from 42 in 2020/21 to 11 in 2021/22.
- 7.6 Declaration of Interests (officers) form and guidance was updated during 2020/21. The Standards and General Purposes Committee receives annual reports on gifts and hospitality offered to officers and members.
- 7.7 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, Head of Human Resources, and the Monitoring Officer bi-monthly.
- 7.8 The Whistleblowing Policy was reviewed and updated for approval at S&GP November 2020 committee and will be reviewed in 2022/23. Regular Fraud update reports were presented to the Standards and General Purposes committee.
- 7.9 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.

7.10 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. The Anti-Fraud and Corruption strategy is due to be reviewed in 2022/23.

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

8.1 The Council significantly increased its engagement with residents, stakeholders and businesses in 2021/22:

- Your Merton –largest-ever resident engagement programme, to help set resident priorities ahead of the new administration. 2,500 responses were received which will shape the ambition and priorities of the Council as set out in the Council's 2022/23 business plan, under the heading 'Merton 2030'
- Weekly borough e-newsletter – a weekly e-newsletter now reaching almost 20,000 residents.
- Merton Business e-newsletter – introduced a weekly e-newsletter to support business improvement and engagement with local firms.
- Merton Local – a new mobile app designed to bring together local businesses & residents with exclusive offers and discounts and support high street recovery.
- Social media – adding new channels (including NextDoor) to engage thousands more residents.
- Internal communications – establishment of a professional internal communications function, responsible for leadership and staff comms

8.2 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).

8.3 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.

- 8.4 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 Board (which also serves as the Community Safety Partnership).
- 8.5 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.
- 8.6 The principles guiding the relationship and conduct between the council and voluntary, community and faith sector is set out in the Merton Compact. 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
- 8.7 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.
- 8.8 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.
- 8.9 The Merton Partnership developed a new Voluntary Sector and Volunteering Strategy 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.
- 8.10 The Council publishes an annual report setting out expenditure with the Voluntary and Community Sector, including notional funding and business rate discounts.
- 8.11 The Council is also part of the following joint health boards and scrutiny committees:

- **South West London (SWL) and Surrey County Council Joint Health Scrutiny Committee**, covering 7 councils to consider strategic issues affecting health.
- **South West London and Surrey JHSC sub-committee** - Improving Healthcare Together 2020-2030, is established by 3 Councils, to scrutinise the work being undertaken by the 3 Clinical Commissioning Groups (NHS Surrey Downs, Sutton and Merton)
- **Merton Health and Wellbeing Board (HWBB)** is a statutory Board chaired by the Cabinet Member for Adult Social Care and Public Health, providing the overall vision, oversight and strategic direction for health and wellbeing as set out in Merton Health and Wellbeing Strategy 2019-2024.
- **Merton Health and Care Together Board (MHCT)** is a non-statutory partnership between the Council and the NHS, reporting to the HWBB. The refreshed draft Merton Local Health and Care Plan 2022-24 focuses on holistic integrated health and care services and prevention.

8.12 Key partners include: SWL CCG; SWL and St George's MH Trust. New partnership arrangements linked to the development of the new SWL Integrated Care System will come into effect during 2022/23.

8.13 In line with the Health and Care Act 2022, changes in the way the NHS is structured locally are due to be introduced in 2022 with new regional Integrated Care Systems (ICSs), Integrated Care Partnerships (ICPs) and, at borough level, Place Based Partnerships to be established. The implications of proposed changes to care legislation, statutory responsibilities of Local Authorities and the Care Charging regime are currently unknown. Work is underway to test the proposals and model the potential impact on service users, self-funders, Councils and Health Authorities. The Council is part of these discussions and working with partners across the London networks to understand and assess the proposals. This has been included in the AGS Action Plan for 2022/23.

**Action 6: Response to a number of national Social Care changes (such as White Papers for Adult and Children Social Care) will be undertaken during 2022/23.**

8.14 The Equality and Community Cohesion strategy is currently being refreshed and will be launched in 2022/23.

8.15 Staff engagement. During 2021 there have been regular news updates to staff via email and the Merton Hub to share the values of the organisation. The Chief Executive and other Directors have regular staff engagement events remotely.

## **9 Council owned companies**

9.1 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.

9.2 Merton council has established two companies.

**CHAS 2013 Ltd (CHAS)**. The company was incorporated on the 28 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 Interim Director of Community and Housing, Assistant Director E&R , and the Head of Law (for Social Care and Education SLLP). The membership will be reviewed in 2022/23 due to staff turnover. The accounts are audited by EY and filed and published with Companies House. A note is also included in the council's main accounts as part of its group accounts. In 2020/21 the governance arrangements for CHAS were reviewed by the Monitoring Officer and a new process was established to oversee decision making by the Council in its capacity as shareholder.

**Merantun Development Limited**. The company was incorporated on the 9th August 2017, to undertake new housing build for 77 residential units. There are 2 council officers listed as directors, the Assistant Director of Resources 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. An application was made to Company House on the 24 March 2022 to strike off and dissolve the company, this application was in progress at the end of March but has now been actioned.

## **10 Review of effectiveness**

10.1 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.

10.2 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.
- OFSTED inspection of Children's Services in March 2022 – 'Good' scoring.
- LGA peer reviews, PSN Code of Connectivity assessments.
- Review of preparedness for CQC Assurance Regime undertaken by London ADASS in December 2021.
- Review of Financial Assessment team business processes undertaken in partnership with Agilisys during a Robotic Process Automation Proof of Concept project

## **11. Assurance by Directors and Assistant Directors**

11.1 The Council ensures corporate ownership of the Annual Governance Statement through requiring senior management to complete a Self-Assessment covering the controls in place in their service areas. The statement provides assurance that they have reviewed arrangements for meeting their responsibilities in relation to:

- Service planning.
- Counter fraud and corruption.
- Finance and budgetary control.
- Health and safety.
- Human resources.
- Internal control.
- Partnership arrangements.
- Performance.
- Risk management; and
- Value for money

## **12. Conclusion**

12.1 This annual 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. In particular, Internal Audit has reviewed the effectiveness of the system of internal control for 2021/22. The Head of Internal Audit's opinion based on this work, is that the system of internal control is generally sound and effective.

**Table 1 Update on issues identified in previous years review for 2021/22**

Issues	Action taken
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><b>In progress c/f</b>            A Recovery and Modernisation Programme to reframe the council’s relationship with its communities and the voluntary and community sectors. 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>
2.Increasing financial pressures.	<p><b>On-going c/f</b>            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 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.</p>
3.Constitution	<p><b>Complete</b>            Review of the Council’s constitution by a member working group. This was agreed by Full Council on 7<sup>th</sup> July 2021.</p>
4.Financial Regulation and procedures and departmental Schemes of Delegation	<p><b>In progress- c/f</b>            Review and update of the financial regulations and procedures and Scheme of Delegation.</p>
5.Contact Standing Orders	<p><b>Complete</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.</p>
6.Governance review of Local Authority Trading companies	<p><b>Complete</b> in respect of CHAS (2013) Ltd; unnecessary for Merantun Developments Ltd as a decision was made to apply for its dissolution</p>

**Table 2 Issues identified for 2022/23:**

Issues	Action	Responsible Officer
1. Ambitions for the borough	The Council is currently working on ambitions for the borough after the local elections. This will result in the agreement of a new ambition that will inform the development of the Business Plan for 2022/26	CMT
2. Response to the Climate Emergency and failure to reduce carbon emissions in the borough	On-going review and monitoring of progress against the Councils action plan, lobbying for funding and oversight	Director of Environment and Regeneration
3 Review and update of the financial regulations and procedures and Scheme of Delegation	Completion of the review of Financial Regulations, procedures and Scheme of Delegation	Director of Corporate Services
4) Medium Term Financial Sustainability	The last few years have required short term financial plans. Now need to consider longer term plans with the MTFS that reflects the new ambition for the council along with revised Business Plan. The uncertainty due to the impact of the cost of living, high inflation, and the energy crisis will need to be closely monitored.	Director of Corporate Services
5. Complaint's process and updated policy	The latest complaints policy was issued in April 2017, is currently under review to bring it in line with the Ombudsman guidance that was issued in October 2020 with a new policy to be released 22/23	Head of Communications
6. Social Care and Integration white papers, including Care Accounts and the Care Cap	During 2022/23 we are undertaking a major programme of work to ensure we are prepared for the implementation of the new duties and powers arising from the recent Social Care and Integration white papers, including Care Accounts and the Care Cap.	Director of Community and Housing

### 13 Statement of the Leader of the Council and the Chief Executive

13.1 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by senior management and the Standards and General Purposes Committee. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined above. 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.

- 13.2 It is our opinion that the Council's governance arrangements in 2021/22 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2022/23.

Signed on behalf of Merton Council

**Signed: Leader**

**Date**

**Signed: Chief Executive**

**Date**