

ANNUAL GOVERNANCE STATEMENT 2022/23

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.

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 managers within the authority who have responsibility for the development and maintenance of the governance environment, the work of Internal Audit and by comments made by external auditors and other review agencies and inspectorates.

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 the 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 seven core principles supported by a further 21 sub-principles against which local authorities should measure their compliance. The outcomes of such a review 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 2023 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.

The Constitution

- 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. The Monitoring Officer completes an annual review of the Council’s Constitution and to ensure its aims and principles are given full effect.
- 2.4 The Council operates a cabinet system for decision-making. Meetings are open to the public, except where personal or confidential matters are being discussed. Members are reminded to keep their register of interests up to date on an annual basis and are requested to make any disclosable pecuniary interests in any business to be considered at the start of all committee meetings. Key elements of the governance framework operating during the year under review (2022/23) include the following bodies:

The Full Council	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.
Cabinet	The Cabinet is the part of the Council that is responsible for most executive decisions. The Cabinet is made up of a maximum of 10 Councillors, including a Leader elected by the Council and a Deputy Leader appointed by the Leader. 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.
The following committee are key components of the Council’s corporate governance	

<p>Overview and Scrutiny</p>	<p>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 2022-23 the Chair of the Commission is the leader of the Merton Park Ward Independent Resident Group.</p> <p>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</p>
<p>Standards and General Purposes Committee</p>	<p>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. This committee is a key component of the Council’s 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 following items were covered in 2022/23.</p> <p>July 22 External Auditors Annual Report 2020-21 and Planning Report. Annual Governance Statement. Internal Audit Annual Report. Report Amendments to the Constitution. Political Group Use of Council Resources. Freedom of the Borough. Complaints against Members</p> <p>Oct 22 Appointment of Independent Person, Annual Complaints Report.</p> <p>Nov 22 External Audit Annual Letter. Internal Audit Progress Report. Fraud Update Report. Final Accounts. Risk Management. Annual Gifts and Hospitality Report (members) Annual Gifts and Hospitality Report (officers) Hearings Sub-Committee.</p>

	<p>An annual review of the on the effectiveness of the committee has been carried out against the CIPFA updated guidance 2022 on Audit Committees. This included members completing a skills assessment and a review of the terms of reference against the Cipfa recommended terms of reference. This identified areas to be included in the TOR and future training plans. A review of the committees Terms of Reference will be undertaken in 2023/24.</p> <p>Action 1: Review Standards and General Purposes Committee Terms of Reference.</p>
Pensions Committee	<p>This committee function is to establish, (in consultation with relevant advisors), appropriate investment policy for the Pension Fund, and to advise General Purposes Committee accordingly. Advise officers on the exercise of their delegated powers concerning the management and investment strategy of the Pension Fund and to report to and advise the Standards and General Purposes Committee as appropriate. Monitor the performance of the Pension Fund relative to its objectives, benchmarks and targets, and to prompt remedial action as necessary. To review the draft Annual Report and Accounts for the Pension Fund and provide comments to the Standards and General Purposes Committee and Audit Committee in respect of the investment matters.</p>

- 2.5 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 2022/23 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.

Member training

- 2.6 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. Induction training was provided in June 2022, other training this year has included Climate Change, Budget Scrutiny, Finance workshop and IT drop-in sessions to complete information security training.

Officer-Level

- 2.7 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 the 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.
- 2.8 The Chief Executive is the most senior officer in the Council. The Chief Executive and the Executive Directors may exercise any functions of the Council or the Cabinet which have been delegated to them and they in turn may delegate decisions or functions to one or more officers in any of the Council's directorates, except when prohibited to do so by the Constitution or law.
- 2.9 The law also requires the Council to appoint certain statutory chief officers that are responsible for the governance of the Council and have specific statutory powers. Similarly, the Council must name the 'proper officers' to undertake specific statutory functions.
- Chief Executive: The most senior officer in the Council is the Chief Executive Officer (and Head of Paid Service). Certain matters not reserved to the Council, Leader or Committees (acting either individually or collectively) are decided by the Chief Executive acting under delegated powers, and the Chief Executive is responsible for deciding how executive decisions are implemented.
 - Corporate Management Team (CMT): This is the Council's senior management team, consisting of the Chief Executive, and Directors. The Council was organised into four directorates during 2022/23: • Children, Schools and Families • Community and Housing • Corporate Services • Environment and Regeneration.
 - In 2022/23, a review was undertaken on the structure within the Council, this moved the Council from four Directors to six Executive Directors. This was approved by Council on the 21 September 2022. Appointments were made in January 2023, with four new Directors starting in April/ May 2023.
 - Children's Lifelong Learning and Families
 - Environment, Climate Change and Civic Pride
 - Housing and Sustainable Development
 - Finance and Digital
 - Innovation and Change
 - Adult Social Care, Public Health and integration
- 2.10 The Councils Constitution and scheme of Management will be updated in 2023/24 to reflect the new management structures.

Action 2: To review constitution to bring it in line with the new corporate management structures. To review the Scheme of management

- Departmental Management Teams (DMTs): Reporting into CMT are the respective Departmental Management Teams. Each DMT has its own underlying departmental management structure reporting into it.
- Boards– The boards which operate alongside the respective departmental structures providing governance over cross directorate matters, include the:
 - Capital Board (Chaired by Executive Director Finance and Digital)
 - Information Security and Governance Board (Chaired by Executive Director of Innovation and Change)
 - Corporate Procurement Board (Chaired by Chief Executive) (and Departmental procurement groups chaired by Executive Directors)
- Statutory Chief Officers: The statutory chief officers are the:
 - Head of Paid Service (Local Government and Housing Act 1989, s 4)
 - Monitoring Officer (Local Government and Housing Act 1989, s 5)
 - S151 (or Chief Finance) Officer (Local Government Act 1972, s 151)
 - Director of ASC, Public Health and Integration covering Adult Social Services (Local Authority Social Services Act 1970, s 6(A1)) Health (National Health Service Act 2006, s 73A(1)).
 - Director of Children, Lifelong Learning and Families (Children Act 2004, s 18)

2.11 These are officers that the Council must have in place, some of which may be combined and some of which cannot, but they all have additional personal responsibilities. These officers have statutory mechanisms for bringing concerns to the attention of the Council, and for requiring the Council to consider their decisions and actions publicly. Each of these officers has special employment protection to enable them to highlight their concerns. There are a number of other statutory officer roles that a local authority must have in place, (such as, but not limited to, a Scrutiny Officer, a Caldicott Guardian, a Head of Internal Audit and an Information Officer) but these are not chief officer posts in their own right.

2.12 There are clear roles and responsibilities held within the financial regulations and leadership roles are defined within the Council's Constitution. The three chief officer roles with leading responsibilities relating to governance are the:

- Head of Paid Service (Chief Executive) – is responsible for the overall functioning of the Council.
- S151 Officer (Chief Finance Officer) – is responsible for finance and spending. The Council designated the Executive Director Finance and Digital as the Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

- Monitoring Officer – is responsible for lawful behaviour. The role of the Monitoring Officer is in accordance with Section 5 of the Local Government and Housing Act 1989). The Council has designated the Managing Director of the South London Legal Partnership as the Monitoring Officer. The Monitoring Officer, who, after consulting with the Chief Executive and the Executive Director of Finance and Digital, may report to the Full Council, 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 oversees Member complaints and 'conduct' matters referred by the Standards and General Purposes Committee and delivers reports and recommendations in respect of those to this Committee.

2.13 The Chief Executive chairs a weekly meeting of the Corporate Management Team to consider key items of business and ensure the organisation is delivering the Council's priorities. Each Executive Director holds weekly Directorate Management Team meetings. These are used to support internal control processes (e.g., budget and risk management, diversity, and inclusion compliance, monitoring of complaints, corporate performance) as well as key business within the department. Executive Directors are then responsible for cascading information down to Assistant Directors and Heads of Service (and vice versa) to ensure effective delivery of Council services and decision making in accordance with the scheme of delegation.

2.14 The Statutory Officers and Executive Directors are responsible for the development and maintenance of the Council's governance and keep the effectiveness of the Council's governance framework under review. The processes which maintain the effectiveness of the governance framework include:

a) The Council's Constitution, which sets out how decisions are made and the procedures that are followed to evidence open and transparent policy and decision making, ensuring compliance with established policies, procedures, laws and regulations.

b) The Council's internal management processes, such as performance monitoring and reporting, the staff performance appraisal framework and monitoring of policies such as corporate complaints and health and safety policies.

c) Mandatory training for officers on Information Security.

d) The financial management of the Council is conducted in accordance with the Financial Regulations set out in the Constitution. 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 (2016) and the Financial Management Code (2019)

e) Review by CMT and DMTs of departmental and corporate risk registers.

- f) The annual report of the Head of Internal Audit, the opinion of the external auditors in their reports and annual letter.
- g) Findings from fraud and whistleblowing investigations.
- h) The work of Overview and Scrutiny Committee and the Standards and General Purposes Committee; and
- i) Other review agencies, through their inspection arrangements, such as the Care Quality Commission and Ofsted.

Codes of Conduct

- 2.15 The Council has adopted codes of conduct for its staff and its members, including co-opted Members. Officers receive a copy 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 available for reference at all times and reminders and training are provided as necessary. Senior officers are required to make annual declarations of interest.
- 2.16 On the 7 July 2021, Council agreed a new code of conduct for members based closely on the model code produced by the Local Government Association, together with a revised process for dealing with complaints that members had breached the code of conduct. The Monitoring Officer reported regularly on a verbal basis to the S&GP Committee on complaints made about Councillors. A written report was presented to S&GP committee in October 2022 setting out the number and type of complaints which have been received and the outcome of those complaints, received since January 2020.

Council Priorities and MTFS

- 2.17 A new Council Plan, covering the period 2023 to 2026 was developed during 2022/23 and adopted by Council in April 2023.
- 2.18 The new Council Plan ‘Building a Better Merton Together’ sets out the ambition for Merton, strategic priorities, guiding principles and delivery objectives. This sets out 3 key objectives.
 - Nurturing Civic Pride
 - Building Sustainable Future
 - Creating a Borough of Sport
- 2.19 The Councils 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.

- 2.20 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 the Business Plan 2022-23 was approved by Overview and Scrutiny and Cabinet in February 2022.
- 2.21 Reports on progress of the 2022/23 Business Plan were made to Cabinet on 21 March, 18 July, 22 September, 7 November, 5 December 2022, 16 January 2023 (Business Plan 2023-27 approval) and 20 February 2023.
- 2.22 On 1 March 2023 Council agreed the Budget 2023/24 and MTFS 2023-27. A balanced budget was set for both 2023/24 and 2024/25 with gaps remaining in future years which needs to be addressed. Budgets have been realigned to match the new department structures.
- 2.23 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. The council has invested an additional £2million to increase capacity to deliver the Climate Strategy & Action. A 3-year climate action plan was agreed by Cabinet in March 2023.
- 2.24 The councils Key Strategic Risk register has identified a high risk in relation to the recruitment of key staff working to implement the climate change action plan. 'Despite full funding and posts and attempts via permanent and agency recruitment all through 2022, posts remain vacant: 3 out of 5 posts in Future Merton climate change team, including those for resident and business retrofit support • Facilities Management buildings surveyor post. • Fleet management carbon reduction post'. During 2023/24, further recruitment will be undertaken. An Internal Audit review is scheduled for 2023/24.

Action 3: Recruitment to key officers to action climate change

- 2.25 There are regular opportunities for leadership challenge and discussion through monthly reporting of financial performance to CMT and the budget setting process and regular reports to the Overview and Scrutiny Committee.
- 2.26 A Capital Strategy and Accompanying Treasury Strategy are published annually as part of the MTFS. These are compliant with the Prudential Code and other relevant guidance. Future investment is linked to available capital resources and the costs of investment are planned for in the revenue budget. The commercial property investment portfolio is managed and monitored through regular Capital Board meetings. Officers provide robust challenges and make consideration of all options for prudent investment opportunities that

are permissible within current guidance or funding constraints.

- 2.27 Budget holders are held accountable for their own budgets through monthly DMT reviews and monthly reviews at CMT. Performance information is reviewed on a quarterly basis at both DMTs and CMT level, with quarterly reporting to the Overview and Scrutiny Committee.

Financial Management

- 2.28 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 Finance and Digital as the Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972.
- 2.29 A review of the Council's Financial Regulations, Financial Procedures and Schemes of Management are currently in progress.

Action 4: Completion of the review of Financial Regulations and procedures

- 2.30 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 Executive Director of Finance and Digital 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.
- 2.31 A new Financial Management (FM) 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.
- 2.32 A review of the Council's current financial management arrangements were 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. This review and progress of actions will need to go to Standards and General Purposes Committee in 2023/24.

Action 5: Results and action taken on the review of compliance with the Financial Management code to be reported to Standards and General Purposes Committee in 2023/24.

- 2.33 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.

- 2.34 The annual financial planning process includes two rounds of budget scrutiny each year where the public can make representations in writing and at meetings.
- 2.35 In 2022/23 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 in March 2023.
- 2.36 The January (period 10) monitoring report for 2022/23 presented to Cabinet on 20 March 2023 reported a forecast net favourable variance at 31 January 2023 on service expenditure of £2.739m, when corporate and funding items are included.
- 2.37 The overall revenue outturn for 2022/23 at year end was a net favourable variance of £2.392m, with this balance being transferred to reserves.
- 2.38 There will be future budget restraints for the Council, with increased inflationary pressures, legacy pandemic costs, delivering the DSG Deficit Safety Valve Agreement by 2026/27 and demand pressures on the budget including social care and Ukraine. This is an area identified on the Key Strategic Risk Register as a high risk.

Action 6 : Regular review and updates on financial planning for areas of increased financial pressure.

Performance, and risk management

- 2.39 A new Corporate Performance Framework was developed alongside the Council Plan and is being implemented in 2023/24. This includes a move to more timely monthly reporting to the Corporate Management team where data availability allows for this. Directorate Plans, with a new format, have been reintroduced for 2023/24 alongside a refreshed 'Golden Thread' framework that links the Council Plan through to objective setting for individual employees.
- 2.40 This will enable the Council to track its own progress on priority areas of delivery - such as keeping our streets clean, building new housing and increasing participation in sports and leisure – but also flag any emerging issues in key service areas. Performance will continue to be monitored in those areas which are critical to our core statutory duties and functions, as well as financial sustainability and organisational health ('Core Service Areas'). Further work will be carried out in 2023/24 with departments to refine indicators, profile targets, and develop an improved approach to corporate performance reporting.
- 2.41 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, (including cost of Living and High Inflation including future pay awards).
- supporting children with additional needs and the DSG Deficit
- Social Care increased demand.
- implementation of the Climate Action Plan
- risk of a Cyber-attack.

2.42 The revised Risk Management Strategy and Key Strategic Risks was reported to Standards and General Purposes Committee in November 2022 prior to approval by Cabinet on 20 February 2023 and Council on 1 March 2023 as part of the 2023/27 Business Plan.

2.43 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.

2.44 Annual Service Plans were not required for 2022/23 but regular monitoring of existing Corporate and Service Plan indicators was maintained. Review and challenge of PIs are established within ongoing performance management arrangements with monthly, quarterly, and annual returns, including to external bodies. Performance reports are produced in accordance with agreed timescales and include regular reporting of both Key and Service-related Performance Indicators. During 2022/23 the format of this reporting was developed to provide more contextual information from Directors on key performance issues.

2.45 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

Information Governance

2.46 The Council has designated the Executive Director of Finance and Digital as Senior Information Risk Owner. Quarterly Information Security and Governance Board meetings are held to review policy, procedures, and data breaches, with representatives from each department and key officers.

2.47 To minimise cyber security threats and to support the efficient delivery of Council

services the need to refresh IT security is constant. Annual online Information Security training is mandatory for all staff. This has been identified as an area of concern for the Council and is included on the Council's Key strategic Risk Register.

- 2.48 In 2022/23, 137 data breaches were logged, this compares to 72 in 2021/22 and 43 in 2020/21. No breaches were required to be reported to the ICO.
- 2.49 The Council's commitment to openness and transparency to publish data is freely available on the Council's website. The council publishes most of the information specified by the government's Open Data requirements on the council's Open Data webpage.
- 2.50 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 2022/23, the total number of requests made were 1,414 of which 1,175 (83.1%) were responded to on time. This compares to 2021/22, total requests 1,341, with 1,171 (87%) responded to in time.
- 2.51 The Council is required to respond to Subject Access Requests (SAR) within 1 month. The number of SARs in 2022/23 were 108, of which 61 (56.5%) were responded to on time.
- 2.52 Performance is reported to the Corporate Management Team monthly and is also published on the council's website via the performance monitoring dashboard.
- 2.53 A report from ICO has resulted in an action plan approved by the ICO, which will be implemented during 2023/24. The action plan covers, includes updating policies, ensuring staff have received training in the last 12 months, updating the Information Access Registers, review complaints procedures.

Action 7: To implement the Information Governance action plans, update policies, training for staff, update information access registers and review complaints procedures.

Complaints

- 2.54 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 due to be reviewed in 2023/24 to bring it in line with the Ombudsman guidance that was issued in October 2020.

Action 8: A review of the Complaints policy to bring it in line with the Ombudsman guidance that was issued in October 2020

- 2.55 The Council is currently in the process of developing the CRM (Customer Relations Management) system to support handling of complaints, due to go live in June 2023. New guidance has been drafted to support the system. All

complaints processes have been reviewed in developing this system, and once online should be fully compliant with LGSCO guidance. The system has been designed with LGSCO guidance in mind from complaint entry right the way through to responding to complaints, resolving them, learning lessons and reporting.

- 2.56 Council's performance in responding to complaints is reported to the Corporate Management Team monthly and published on the council's performance monitoring dashboard. An annual complaints report is reported to S &GP.
- 2.57 The last annual report 2019/20 went to S&GP Committee in March 2021. Reports for 2021/22 and for 2021/22 have been prepared and are due to go to committee in 2023/24.
- 2.58 The number of complaints received by the Council in 2022/23 was 887, (720 in 2021/22 and 410 in 2020/21). The number of complaints escalating to stage 2 has risen slightly from, 10.4% in 2020/21 and 10.8% in 2021/22 to 12% in 2022/23. The number of Ombudsman referrals has reduced from 42 in 2020/21 to 11 in 2021/22 to 44 in 2022/23 (12 were upheld).

Safeguarding

- 2.59 The Council's approach to safeguarding both in relation to vulnerable adults and children is led by the Executive Director for CLLF and Executive Director for Adult Social Care, Integrated Care and Public Health Living and also subject to the relevant statutory inspections. The Merton Safeguarding Adult Board is independently chaired.
- 2.60 Merton Safeguarding Children Partnership has three independent posts to support its core duty to promote the welfare of children and monitor the strength of partnership working; An Independent Person, to act as chair; An Independent Scrutineer, and A Young Scrutineer.
- 2.61 In September 2019, Ofsted highlighted several areas of concern with Merton's provision of SEND. Between 17 and 19 October 2022, inspectors from Ofsted and the CQC returned to the borough and spoke with children and young people with special educational needs and/or disabilities (SEND), parents and carers, and practitioners and managers across the local partnership.
- 2.62 The results of this inspection showed that Merton's SEND partnership has met all targets for improvement set out by Ofsted and the Care Quality Commission (CCQ), which recognises the council and local NHS have "made sufficient progress in addressing all of the significant weaknesses identified at the initial inspection".

Learning and Development

- 2.63 Staff developmental needs are identified through the Council's Appraisal Scheme. The Council's Learning and Development team delivers and/or commissions a suite of elective and mandatory courses, children, and adult

social care specialisations in a variety of formats, including e-learning through a centralised learning management system.

- 2.64 Staff induction includes a requirement for the new employee to complete their mandatory and Merton specific training, on information security, equality and diversity, fraud awareness. They are required to read Information security and IT policies. They are also required to attend virtual induction welcome videos from the Chief Executive and Corporate Management Team and other videos on subject matter expect. Other job specific training is in place for staff working in areas of social care, public health etc.

Business Continuity

- 2.65 The Council has a Corporate Business Continuity Management Policy and Strategy. Business Continuity Plans were reviewed and tested in December 2020 and found to be effective and are due to be reviewed in 2023/24. Business Continuity threats has been identified on the Councils Key Strategic Risk register as an area to be reviewed due to increased IT risks and as well emergency planning arrangements to be refreshed.

Action 9: Business Continuity Plans to be reviewed in 2023/24

Working in partnership

- 2.66 The Council works with a number of other public sector bodies, organisations and voluntary groups. Partnerships include: Children's Trust, Learning Disability Partnership Board, Merton Partnership, Safer Merton, South London Waste Partnership, Multi-agency Public Protection Arrangements Boards, Multi Agency Risk Assessment Boards and Merton Health and Wellbeing Board.

- Merton Health and Wellbeing Board brings together the Council, NHS partners, including the Clinical Commissioning Group, and patient representatives to have oversight of the Council's public health functions and ensure health services in the borough are properly integrated. This board met 3 times in 2022/23 and covered integrated care strategy and forward plan. The Merton Health and Care Plan 22-24 was agreed at the September 2022 committee.

- 2.67 Merton is a member of the South West London and Surrey County Council Joint Health Overview and Scrutiny Committee (SWL&SCC JHOSC). This is a joint standing committee with representation from six London Boroughs and Surrey County Council (Merton, Croydon, Kingston, Sutton, Richmond, Wandsworth and Surrey County Council). Its purpose is to respond to changes in the provision of health and health consultations which affect more than one constituent area. The JHOSC can also establish subcommittees to look at specific issues.

Some of the key changes in 2022/23 were in the following areas.

Statutory Integrated Care System

- 2.68 From 1 July 2022 the South West London NHS Integrated Care System (ICS)

Board, became a statutory organisation led by two new bodies: the NHS Integrated Care Board (ICB) and the Integrated Care Partnership (ICP).

- 2.69 The South West London ICS brings together NHS organisations, the boroughs of Croydon, Kingston, Merton, Richmond, Merton & Wandsworth, Healthwatch organisations, charities, and community voluntary organisations. The aim of the ICS is to achieve four aims: to improve outcomes in population health and healthcare; to tackle inequalities in outcomes, experience, and access; to enhance productivity and value for money; and to help the NHS support broader social and economic development.

Shared Service arrangements

- 2.70 The Council has Shared Service arrangements with 4 other councils, Kingston, Merton, Richmond and Wandsworth for the Shared Legal partnership (Sllp), Internal Audit, Fraud and Regulatory Services (with Richmond and Wandsworth). The governance arrangements for these services are managed through Shared Service Boards (SSB) comprising senior officers from each of the Councils. The boards meet at least four times a year. Each board meeting provides an opportunity to focus upon key areas of shared service delivery. Alongside looking at performance, monitoring and supporting key delivery priorities and issues.

Council owned companies

- 2.71 The Committee on Standards in Public Life carried out a review 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 principle of openness and publish their board agendas and minutes and annual reports in an accessible place.

- 2.72 The governance arrangements for the Council owned companies are overseen by the Merton Shareholdings Board. This is a sub-committee of the Strategy and Resources Committee and comprises five elected members appointed on a politically proportional basis. The Council has the following 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. The accounts are audited by EY and filed and published with Companies House. On the 7 November 2022, Cabinet approved that the sale of the company. On the 13 January 2023, Companies house is recorded as the London Borough of Merton cessation of control.
- **Merantun Development Limited** 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 is showing on Companies House records as being dissolved on the 21 June 2022.

3 Internal Audit and Fraud

- 3.1 The Council maintains an effective Internal Audit service which operates, 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 internal review for 2022/23 of the Internal Audit service concluded that the service is satisfactory and fit for purpose. A five-year external review is due to be undertaken in 2023.
- 3.2 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 South West London Fraud Partnership (SWLFP).
- 3.3 The Council has an Anti-Fraud and Corruption Strategy setting out its commitment to prevent and detect fraud and corruption. The Council has a Whistleblowing Policy (due for review in 2023/24) which clearly sets out arrangements in place for reporting and investigating any concern relating to a deficiency or breach in the provision of services; the guidance reassures that this may be done without fear of recrimination.
- 3.4 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 Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 3.5 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 Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 3.6 Internal Audit reviews in 2022/23 provided 79% substantial assurance that controls were in place. There were 6 limited assurance reviews in relation to weaknesses in: -

- Children Placement Commissioning
 - Payroll -bank mandate changes
 - Financial Review – 14+ and Children in Care Teams
 - Haslemere Primary School
 - Planning Enforcement
 - Direct Payments (adults)
- 3.7 Where weaknesses are identified, follow up action is undertaken to ensure prompt improvement of controls. There were 18 priority 1 actions issued in 2022/23, with 14 of these implemented and 4 in progress. The council also has 2 outstanding actions in progress from 2021/22.
- 3.8 Internal Audit identified a number of weaknesses in due diligence checks undertaken in relation to bank account changes for accounts payable and payroll.
- 3.9 Internal audit identified in schools in relation to fixing the approved budget on the system and managing cash flow.
- 3.10 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.
- 3.11 The Whistleblowing Policy, Anti Money Laundering policy and Anti-Fraud and Corruption Policy is due for review in 2023/24. Regular Fraud update reports were presented to the Standards and General Purposes committee.

Action 10: All fraud policies will be reviewed and updated in 2023/24 (Anti-Fraud and Corruption Policy, Whistleblowing and Anti Money Laundering policy)

- 3.12 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 2022/23 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.

4 Other Assurances

- 4.1 External Assurances provided during 22/23, include the following: -
- External audit. The Council's external auditors are Ernst and Young. They undertake the audit of Accounts & Auditors Annual Report
 - CIPFA Financial Resilience Index

- ISO accreditation for South London Legal Partnership
- Grant Thornton review on CHAS disposal
- Ofsted- February 2022- rated Children, Schools and Families an outstanding children service department
- Ofsted of SEND – positive outcome.
- Ofsted inspection of 26 schools with 24 achieving good or better outcome results

5 Assurance by Directors and Assistant Directors

5.1 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.
- Human resources.
- Internal control.
- Partnership arrangements.
- Performance.
- Risk management; and
- Value for money

6. Conclusion

6.1 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 2022/23. 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 2022/23

1. Ambitions for the borough
<p><u>Proposed Action:</u> 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</p>
<p><u>Progress on action:</u> The Council set out its new Corporate Plan 'Building a Better Merton Together' setting out the overarching strategic objectives to guide the work of the administration and council from 2023 to 2026, this was approved by Overview and Scrutiny and Council in February 2023. Further work is in place to set objectives and targets for each of the main council themes.</p>
2. Response to the Climate Emergency and failure to reduce carbon emissions in the borough (carry forward)
<p><u>Proposed Action:</u> On-going review and monitoring of progress against the Council's action plan, lobbying for funding and oversight</p>
<p><u>Progress on action:</u> An ongoing commitment to preventing and tackling climate change is a key priority for the Council. The Council has provided £2 million funding. The Council has identified a strategic risk for the council in relation to recruitment severely affecting the capacity to deliver the climate strategy and action plan. Despite full funding and posts and attempts via permanent and agency recruitment all through 2022, posts remain vacant: 3 out of 5 posts in Future Merton climate change team, including those for resident and business retrofit support • Facilities Management buildings surveyor post. • Fleet management carbon reduction post. During 2023/24, further recruitment will be undertaken.</p>
3 Review and update of the Financial Regulations and Procedures and Scheme of Delegation (carry forward)
<p><u>Proposed Action:</u> Completion of the review of Financial Regulations, procedures, and Scheme of Delegation</p>
<p><u>Progress on action:</u> This has commenced and will be completed in 2023/24</p>
4 Medium Term Financial Sustainability (on-going)
<p><u>Proposed Action:</u> 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.</p>
<p><u>Progress on action:</u> On 1 March 2023 Council agreed the Budget 2023/24 and MTFs 2023-27. A balanced budget was set for both 2023/24 and 2024/25 with gaps remaining in future years which needs to be addressed. Budgets have been realigned to match the</p>

new department structures. Current inflation levels remain high and there are budget pressures, (including cost of Living and High Inflation including future pay awards). supporting children with additional needs and the DSG Deficit and Social Care increased demand.

5 Complaint's process and updated policy (carried forward)

Proposed Action: 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

Progress on action: In 2022/23 service concentrated on development of the CRM (Customer Relations Management) system to support handling complaints, which is due to go live in June 2023. New guidance has been drafted to support the system. All complaints processes have been reviewed in developing this system, and once online should be fully compliant with LGSCO guidance. A new policy will be prepared in 2023/24.

Table 2 Actions for 2023/24

1. Review of Standards and General Purposes Terms of Reference
<u>Proposed Action:</u> Review Standards and General Purposes Committee Terms of Reference to bring it in line with Cipfa recommendations.
<u>Responsible Officer:</u> Monitoring Officer
2. Review constitution and Scheme of Delegation
<u>Proposed Action:</u> To review constitution to bring it in line with the new corporate management structures. To review the Scheme of delegation.
<u>Responsible Officer:</u> Monitoring Officer
3. Response to the Climate Emergency and failure to reduce carbon emissions in the borough (carry forward)
<u>Proposed Action:</u> Recruitment to key officers to action climate change agenda
<u>Responsible Officer</u> Executive Director Housing and Sustainable Development and Executive Director Environment, Civic Pride and Climate
4 .Review and update of the Financial Regulations and Procedures (carried forward)
<u>Proposed Action:</u> Completion of the review of Financial Regulations and procedures

<u>Responsible Officer:</u> Head of Business Planning
5. Finance Management Code compliance
<u>Proposed Action:</u> Results and progress on actions on the review of compliance with the Financial Management Code to be reported to Standards and General Purposes Committee in 2023/24
<u>Responsible Officer:</u> Director of Finance and Digital
6. Financial pressure
Proposed action: Regular review and updates on financial planning for areas of increased financial pressure.
<u>Responsible Officer:</u> Executive Director of Finance and Digital
7. Information Governance action plan
Proposed action: To implement the Information Governance action plans, update polices, training for staff, update information access registers and review complaints procedures.
<u>Responsible Officer:</u> Managing Director of SLLP
8. Complaint's policy (carried forward)
<u>Proposed Action:</u> A review of the Complaints policy to bring it in line with the Ombudsman guidance that was issued in October 2020
<u>Responsible Officer:</u> Head of Communications
9. Business Continuity Plans review
<u>Proposed Action:</u> Business Continuity Plans to be reviewed in 2023/24
<u>Responsible Officer:</u> Executive Director Finance and Digital
10. Fraud Policies reviews
<u>Proposed Action:</u> All fraud policies will be reviewed and updated in 2023/24 (Anti-Fraud and Corruption Policy, Whistleblowing and Anti Money Laundering policy)
<u>Responsible Officer:</u> Head of Internal Audit/Head of Fraud Partnership

- 6.2 Progress managing these issues will be monitored in-year and assessed as part of the next annual review.

7. Statement of the Leader of the Council and the Chief Executive

- 8.1 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.
- 8.2 It is our opinion that the Council's governance arrangements in 2022/23 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2023/24.

Signed on behalf of Merton Council

Chief Executive:

Date:

Leader:

Date:

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