Annual Governance Statement

For the period 1st April 2008- 31st March 2009

Annual Governance Statement 2008/09

2008/2009 Annual Governance Statement

1)   Introduction

1.1   Governance is about how we ensure that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

1.2   Governance comprises the systems and processes, and cultures and values by which the council is directed and controlled and through which we account to, engage with and, where appropriate, lead the community.

1.3   This Annual Governance Statement comprises an outline of the council's governance framework, the process that has been used to review the effectiveness of the governance framework and highlights any significant governance issues from the period 1st April 2008 -31st March 2009.

2   Scope of Responsibility

2.1   Milton Keynes Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically efficiently and effectively.

2.2   Milton Keynes Council 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.

2.3   In discharging this overall responsibility, Milton Keynes Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

3   The governance framework:

The current governance framework has been in place at Milton Keynes Council for the year ended 31st March 2009 and up to the date of approval of the statement of accounts.

There are six core principles within the CIPFA/SOLACE Corporate Governance Framework:

   i.)   Focusing on the purpose of the authority and on outcomes for the local community and creating and implementing a vision for the local area:

   ii.)   Members and officers working together to achieve a common purpose with clearly defined functions and roles.

   iii.)   Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

   iv.)   Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

   v.)   Developing the capacity and capability of members and officers to be effective.

   vi.)   Engaging with local people and other stakeholders to ensure robust public accountability.

The key elements of the council's governance arrangements are outlined below as they relate to the principles within the CIPFA/SOLACE governance framework. Some elements relate to more than one principle, but for simplicity, they are only included once below.

3.1   Focusing on the purpose of the authority and on outcomes for the local community and creating and implementing a vision for the local area:

3.1.1   The Sustainable Community Strategy (SCS) which was adopted in 2004 and refreshed in 2008 sets out the long term vision and objectives for the local area and is monitored by the local strategic partnership.

3.1.2   The Council Plan sets out Milton Keynes Council's vision and values, along with the council's aims objectives and priorities for 2008/09. Delivery of the Council Plan is through key strategies, service plans and action plans.

3.1.3 Linking to the Sustainable Community Strategy and Council Plan are key strategies including the Local Development Framework, the Children and Young People's Plan, Local Transport Plan, Housing Strategy and Supporting People Strategy.

3.1.4 Detailed service plans are developed by all council services to set out their objectives and targets. Action plans are developed to address any underperforming indicators.

3.1.5 The Diagram below shows the council's key planning framework:

3.1.6 Delivery of the planning framework is measured through the council's performance management framework. This includes quarterly performance reports for all LAA, Council Plan and targeted performance indicators which are published on the council's website and monitored by Cabinet and corporate leadership team.

3.1.7 The performance review panel of elected members monitors performance and undertakes review of areas that are not performing well.

3.1.8 Performance against service plans is monitored at directorate level. The appraisal system monitors individual contributions to targets and priorities.

3.2   Members and officers working together to achieve a common purpose with clearly defined functions and roles.

3.2.1   Milton Keynes Council's Constitution sets out how the council operates, how decisions are made and the procedures which are followed to make sure that the council's decision making is efficient, transparent and accountable to local people. During 2008 a review of the Constitution commenced, although there has been limited progress to date this is due to complete 31st December 2009.

3.2.2   The Constitution contains a member/officer protocol to guide members and officers of the council in their relations with one another. It seeks to establish the roles and responsibilities of members and officers to avoid confusion and misunderstanding.

3.2.3   The financial procedure rules set out in part 4 of the Constitution provide the framework for managing the council's financial affairs and ensure the efficient effective and economic use of resources. Responsibility for financial management rests with the section 151 officer.

3.2.4   Recruitment of each officer is through a competitive selection process utilising job descriptions and person specifications to ensure that talented new staff are appointed in accordance with the recruitment and selection procedure.

3.2.5   During 2008/09 the council developed a partnership governance toolkit to support partnerships in improving governance arrangements. This includes measures to increase clarity of roles for officers and members when representing the council on a partnership.

3.2.6   The council has designated the head of legal services as monitoring officer with the responsibility for promoting and maintaining probity in all of the council's activities as set out in the monitoring officer protocol within the Constitution.

3.3   Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

3.3.1   Codes of conduct are included in the Constitution and define the standards of behaviour for members and staff.

3.3.2   A register of members' interests is held by the monitoring officer and member's declarations of interest are published on the council website.

3.3.3   The standards committee has responsibility for promoting high standards of conduct by councillors, co-opted members and church

and parent governor representatives. Terms of reference for the standards committee are published in the Constitution.

3.3.4 The monitoring officer has responsibility for the council's complaints procedure. Information is provided via a hardcopy leaflet on the complaints process and an on-line customer portal to make and track complaints.

3.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

3.4.1 Milton Keynes Council has a Leader and Cabinet model of decision making. When major decisions are to be discussed or made they are published in the Cabinet's forward plan and decisions are published in the Cabinet papers on the committee meetings information service.

3.4.2 The call-over procedure allows the Cabinet to receive professional advice from the monitoring officer and other senior officers to ensure quality control, risk management and good corporate governance for all Cabinet reports.

3.4.3 The council's overview and scrutiny process is outlined in the Constitution. An annual report of overview and scrutiny activity is published on the council website. During 2008 a review of the overview and scrutiny function commenced which is to be completed by 1st September 2009.

3.4.4 The council's internal audit service operates in accordance with the *Accounts and Audit Regulations (2006)* and the *CIPFA code of Practice for Internal Audit in Local Government (2006).*

3.4.5 The council's audit committee undertakes the core functions of an audit committee as identified in CIPFA's *'Audit Committees- Practical Guidance for Local Authorities.'*

3.4.6 The council has a programme of risk management training workshops during for officers and members, and is implementing a new electronic risk management system 'GRACE'. Regular risk management updates are provided to the audit committee by the head of internal audit and risk management.

3.4.7 The council has a confidential reporting/ whistleblowing policy in place and published on the intranet and council website. This policy is in place to reassure employees that they can report areas of concern to the council without fear of reprisal or harassment.

3.5 Developing the capacity and capability of members and officers to be effective.

3.5.1 After appointment, officer induction programmes are mandatory and further training is available both within the council's corporate framework, and through qualifications and updates provided by professional bodies. Appraisals are completed annually for all officers and linked to their CPD.

3.5.2 Member development needs are met through the provision of induction, other seminars and workshops, access to external programmes and individual or group mentoring. The current member development strategy is being reviewed and is due to be updated by 31st October 2009.

3.6 Engaging with local people and other stakeholders to ensure robust public accountability.

3.6.1 The council does not have a formal communications strategy in place. This is being addressed with the development of a new communications strategy for 2009/2010.

3.6.2 The council publishes 'Live MK' magazine 10 times per year which is distributed to all homes and businesses within the borough and holds 'listening days' where officers and Cabinet Members go out in to the community to hear people's views.

3.6.3 In 2009 the council developed new branding guidelines to ensure consistency across the full range of council services, to raise awareness of services provided by the council and to increase accountability.

3.6.4 During 2008 work has been undertaken to improve the council's on-line consultation finder facility so that all consultations are accessible to the public. The council has undertaken a budget consultation in 2008 and has conducted the first 'Place Survey' to capture people's views, experiences and perceptions of Milton Keynes.

4   Process for Review of Effectiveness:

Milton Keynes 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 the executive 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 the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework during 2008/09 is outlined below. Any significant governance issues arising from the review process are outlined in section 5.

4.1   The authority

4.1.1   The monitoring officer provides legal advice to the authority, including checking the legal status of reports to Cabinet, corporate leadership team, council and regulatory committees.

4.1.2   For 2008/09 the council has developed its arrangements for compiling the Annual Governance Statement. A working group led by the interim director of finance, including the head of democratic services, head of legal services and head of internal audit have oversight of the process which draws on information from a range of sources.

4.1.3   Self-assessments of governance arrangements have been completed by the responsible officers for key areas of corporate governance within the council, including corporate strategy, finance, H.R, legal, performance management, internal audit, risk management, communications, and democratic services.

4.1.4   Corporate directors have completed governance assurance statements with their directorate management teams, outlining the extent to which corporate governance processes are fit for purpose, understood and complied with in their directorate.

4.1.5   During 2008 the council commenced a review of the Constitution, to be completed by 31st December 2009 to:

>   i.   Improve governance of no overall control
>   ii. Address anomalies within the Constitution
>   iii. Prepare the council for the impact of new legislation
>   iv. Include the council's vision and values in the Constitution.

4.1.6   During 2008 the council completed a [review of partnership governance](#) which assessed the governance arrangements of a range of key partnership against best practice as identified by the Innovation & Development Agency. The review set out an action plan for improvement to partnership governance arrangements which is due to be completed in 2009/10 and introduced a partnership governance toolkit.

4.2   The Cabinet

4.2.1   Cabinet is responsible for receiving and responding to reports from the overview and scrutiny committees, the monitoring officer, the chief financial (section 151) officer and recommendations from the council.

4.3   Overview and scrutiny

4.3.1   The council has had eight overview and scrutiny bodies in place for 2008/09 dealing with policy development, performance review, executive scrutiny, health scrutiny and external scrutiny. [A report of overview and scrutiny activity for 2008/09](#) is published on the council's website.

4.3.2   The role of the overview and scrutiny bodies includes pre-decision scrutiny of policy framework and other major policy documents within the council's remit, investigation of under-performing areas, policy development, and scrutiny of Cabinet decisions.

4.3.3   Overview and scrutiny can "call in" a decision which has been made by the Cabinet but not yet implemented, to enable them to consider whether the decision is appropriate. It allow matters of wide ranging interest to the council to be publicly reviewed and scrutinised

4.3.4   A review of the overview and scrutiny function commenced in 2008 to address weaknesses identified by external inspections, this is due to be completed by 1st September 2009.

4.4   Standards committee

4.4.1   The council has appointed a standards committee to promote and maintain high standards of conduct by members and to assist members in observing the code of conduct.

4.4.2   The standards committee advises the council on all matters relating to the code of conduct including revisions to the code, monitoring of the operation of the code and arranging for training of members on matters relating to the code.

4.4.3   The standards committee has a duty to consider locally all complaints of code of conduct breaches against councillors. The standards committee has the power to censure, suspend or partially suspend a member in accordance with the provisions of the Local Government

Act 2000 or other relevant statute or regulation.

4.4.4   The standards committee produce an annual report on their activities to full council.

4.5   Audit committee

4.5.1   The council has an audit committee that undertakes the core functions identified in CIPFA's *Audit Committees – Practical guidance for Local Authorities.*

4.5.2   The audit committee provides independent assurance of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance and reviews compliance with the relevant standards, codes of practice and corporate governance policies.

4.6   Internal audit

4.6.1   Internal audit is charged with reviewing the adequacy of the controls that operate throughout all areas of the councils services.

4.6.2   During 2007/08 internal audit carried out a review of corporate governance which resulted in a series of recommendations relating to the council's governance arrangements. Internal audit followed up the recommendations during 2008/09 and found that there has been considerable work towards addressing most of the outstanding issues.

4.6.3   The annual internal audit report for 2008/09 concludes, on the basis of audit work completed during the year, Milton Keynes Council's internal control environment and systems of internal control provide reasonable assurance over the exercise of it functions. The report concludes that systems that refer to internal financial control are adequately controlled

4.7   External audit and Inspections

4.7.1   [The annual audit and inspection letter] from the Audit Commission contains the main messages for the council resulting from their assessments over 2008/09. Significant governance issues identified by the Audit Commission are outlined in section 5.

4.7.2   The council scored one star in its comprehensive performance assessment and a 'not improving adequately' direction of travel rating. The council has already begun to address the concerns raised by the Audit Commission and further improvements will take place during 2009/10.

4.7.3   During 2008/09 Milton Keynes Council commissioned an [independent external review in to the Gatehouse School] when it began to have serious concerns about the school and action has been taken to address the findings of the review.

5.   Significant Governance Issues:

Significant governance issues for 2008/09 are identified below as they relate to the principles in the CIPFA/SOLACE Code of Corporate Governance, some actions relate to more than one principle but, for simplicity, are only included once below.

1: Focusing on the purpose of the authority and on outcomes for the local community and creating and implementing a vision for the local area:			
Governance Issue	**Improvement Action/s**	**Responsible Officer/s**	**Timescale**
1a) Lack of a corporate performance improvement culture.	Element of Corporate Improvement Plan	Corporate Leadership Team	31/03/2010
2: Members and Officers working together to achieve a common purpose with clearly defined functions and roles.			
Governance Issue	**Improvement Action/s**	**Responsible Officer/s**	**Timescale**
2a) Children's Services rated as 'inadequate' by Ofsted's Annual Performance Assessment.	CYPS Improvement Plan in development to improve service	Gail Tolley	To be agreed following approval from DCSF
2b) Lack of collective political leadership in context of no overall control.	Constitutional Review commenced in 2008 to: • Improve governance of no overall control • Address anomalies within the constitution • Prepare the council for the impact of new legislation • Include the council's values in the constitution Improvement Board in place to	Head of Democratic Services	31/12/2009

	improve collective political leadership	Head of Democratic Services	Ongoing
2c) Large number of interim officers at senior level.	Recruitment of permanent Chief Executive and Corporate Directors	Head of H.R	Complete
2d) Delays in recruitment process have negative implications for service delivery.	Implementation of Recruitment Improvement Plan	H.R Service Delivery Manager	31/03/2010
2e) Lack of partnership governance arrangements	a.) Review of Partnership Governance b.) Implementation of Partnership Governance Review Action Plan	a.) Head of Democratic Services/ Head of Strategy and Regeneration b.) Head of Strategy and Regeneration	a.) Completed 31/03/2009 b.) 31/03/2010
2f) Lack of clarity surrounding role and accountability of elected members.	Develop a series of job descriptions for elected members	Head of Democratic Services	31/03/2010
2g)Absence of a protocol governing the relationship between the Leader and the Chief Executive	Utilise the unique opportunity of having a new Leader and new Chief Executive to develop a fit for purpose protocol	Head of Democratic Services	01/09/09
2h) Documentation of corporate financial arrangements is not fully adequate or comprehensive.	Establish and implement a project plan to review key documents	Corporate Director – Finance and Risk	01/04/2010

2i) Poor compliance relating to payment of invoices	Investigate reasons for poor compliance re. payment of invoices and improve support arrangements to managers

In developing new improved arrangements for financial planning and budget monitoring ensure compliance issues are given high priority | Corporate Director Finance and Risk | 30/06/2009 |
| 2j)Weaknesses in Medium Term Financial Planning (MTFP) Arrangements | a.)Make proposals for, secure approval to MTFP

b.)Lead implementation of changes to MTFP arrangements | a.) Corporate Director Finance and Risk

b.) Corporate Director Finance and Risk | a.) 30/06/2009

b.) 01/02/2010 |
| 2k)Budget Monitoring | Review format of reporting and ensure budget monitoring processes focus on issues of highest risk, and more closely link performance to financial control | Corporate Director Finance and Risk | First revised report to Cabinet in July 2009 |
| 2l)Weaknesses identified in Capital Project Management

Capital planning needs integrating more closely with Revenue planning | Element of Corporate Improvement Plan.

Lead and direct the work programme of the newly-created Asset Management | Corporate Leadership Team

Corporate Director Finance and Risk | 31/03/2010

From 01/05/2009 |

	Planning Group, leading to approval of asset management plans and the Capital Programme		
2m)Financial management of key partnerships	a.) Initiate work with key partners to review the deployment of Area Based Grants b.) Develop a programme of activity to review systematically the financial management arrangements of the Council's key partnerships.	a.) Corporate Director – Finance and Risk b.) Corporate Director Finance and Risk	a.) 01/06/2009 b.) 31/10/2009
3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.			
3a)Governance of Member Complaints process	Review of processes and work plan of the Standards Committee to improve governance.	Head of Legal Services	31/07/2009

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.			
Governance Issue	**Improvement Action/s**	**Responsible Officer/s**	**Timescale**
4a) Risk management is not embedded across the organisation	To define and agree corporate strategic risks and ensure mitigation	Corporate Leadership Team	31/03/2010
4b) Weaknesses in overview & scrutiny process	Review of overview and scrutiny process commenced in 2008	Head of Democratic Services	01/09/2009
4c) Lack of awareness of Whistleblowing policy	Re-launch followed by ongoing publicity and monitoring of whistle blowing policy	Head of Audit and Risk Management	Re-Launch 30/06/09
4d) Cabinet records of decision making are single option documents. Legal requirements necessitate publication of all options	Include options for decision making in cabinet papers	Head of Democratic Services	01/10/09
5: Developing the capacity and capability of members and officers to be effective.			
Governance Issue	**Improvement Action/s**	**Responsible Officer/s**	**Timescale**
5a) Member Development Strategy requires updating	Review and update Member Development Strategy	Head of Democratic Services/ Head of Strategic H.R	31/10/09

6: Engaging with local people and other stakeholders to ensure robust public accountability.			
Governance Issue	**Improvement Action/s**	**Responsible Officer/s**	**Timescale**
6a) Lack of a consistent corporate approach to community engagement.	a.) Element of Corporate Improvement Plan b.) Development of new communications strategy.	a.) Head of Strategy and Regeneration b.) Head of Corporate Communications	a.)31/03/2010 b.)31/03/10

6. Conclusion

Milton Keynes Council has been advised on the implications of the result of the review of the effectiveness of the governance framework, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

Signed:…………………………………………………………………………..

Leader of the Council & Chief Executive on behalf of Milton Keynes Council

Appendix One: Governance Framework key documents	
Document	**Link**
1: Focusing on the purpose of the Authority and on outcomes for the local community and creating and implementing a vision for the local area.	
MKC Code of Corporate Governance	MKC Code of Corporate Governance
Sustainable Community Strategy	Sustainable Community Strategy
Local Area Agreement	LAA
The Council Plan 2008/09	Council Plan 08/09
2: Members and Officers Working Together to achieve a common purpose with clearly defined functions and roles.	
MKC Constitution	Constitution
Member Officer Protocol	Constitution (pg 195)
Financial Procedure Rules	Constitution (pg119)
Recruitment and Selection Procedure	Recruitment & Selection Procedure
Partnership Governance Toolkit	Parntership Toolkit
Monitoring Officer Protocol	Constitution (pg 212)
3: Promoting Values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	
Codes of Conduct	Constitution(pg 161-195)
Register of Interests	Register of Interests
Council's Complaints Procedure	Complaints Procedure
Standards Committee Terms of Reference	Constitution (pg24)
Audit Committee Terms of Reference	Constitution (pg 29)
4: Taking informed decisions which are subject to effective scrutiny and managing risk.	
Cabinet Forward Plan	Forward Plan
Overview and Scrutiny Procedure Rules	Constitution (pg3)
Whistle Blowing Policy	Whistleblowing policy
5: Developing the capacity and capability of members and officers to be effective.	
Member Development Framework	Currently under Review
Corporate Training Framework	Corporate Training Directory

6: Engaging with local people and other stakeholders to ensure robust public accountability	
Branding Guidelines	Branding Guidelines
Consultation Finder	Consultation Finder

Appendix 2: Breakdown of significant governance issues identified by review of effectiveness	
Review of effectiveness	**Significant Governance Issues identified:**
Self-Assessment: Legal Services	3a
Self Assessment: Performance Management	1a
Self Assessment: Finance	2h 2i 2j 2k 2l 2m
Self Assessment: Strategic H.R	2d 5a
Self Assessment: Internal Audit & Risk Management	4a 4c
Self Assessment: Corporate Strategy	1a
Self Assessment: Communications	6a
Self Assessment: Democratic Services	2b 2e 2f 2g4b 4d 5a
Director's Assurance Statement: Strategy Governance and Performance	1a 2b 4a 6a
Director's Assurance Statement: Environment	1a 2i 6a
Director's Assurance Statement: Neighbourhood Services	1a
Director's Assurance Statement: Children and Young People's Service	1a 2a
Constitutional Review	2a
Partnership Governance Review	2e
Overview and Scrutiny Review	4b
Overview and Scrutiny Annual Report	4b
Standards Committee Annual Report	Work in progress
Annual Internal Audit Report (draft)	4a 2c 2d
Corporate Governance Review	2b 2c 2d
Corporate Governance Review Follow up	2e 2f 2g
Annual Audit and Inspection Letter	1a 2a 2b 2c 2l 2m 4a 6a
Gatehouse Review	4b 4c