

Appendix 1

Annual Governance Statement

2018-19

Introduction

The Annual Governance Statement is a review of the Council's governance arrangements in 2018-19. The statement evaluates how we meet the governance framework and provides an opinion on whether the current governance arrangements are fit for purpose.

Conclusion on Significant Governance Issues

Overall, we can confirm that the Council has the appropriate systems and processes in place. We do not consider there are any significant governance issues arising from the review. Whilst we are satisfied the arrangements work well our review has identified actions to ensure good standards of governance are maintained. Updates on the actions will be provided to the Audit Governance and Standards Committee on a six monthly basis and kept under review by the internal Corporate Governance Group.

Areas for Improvement 2019-20

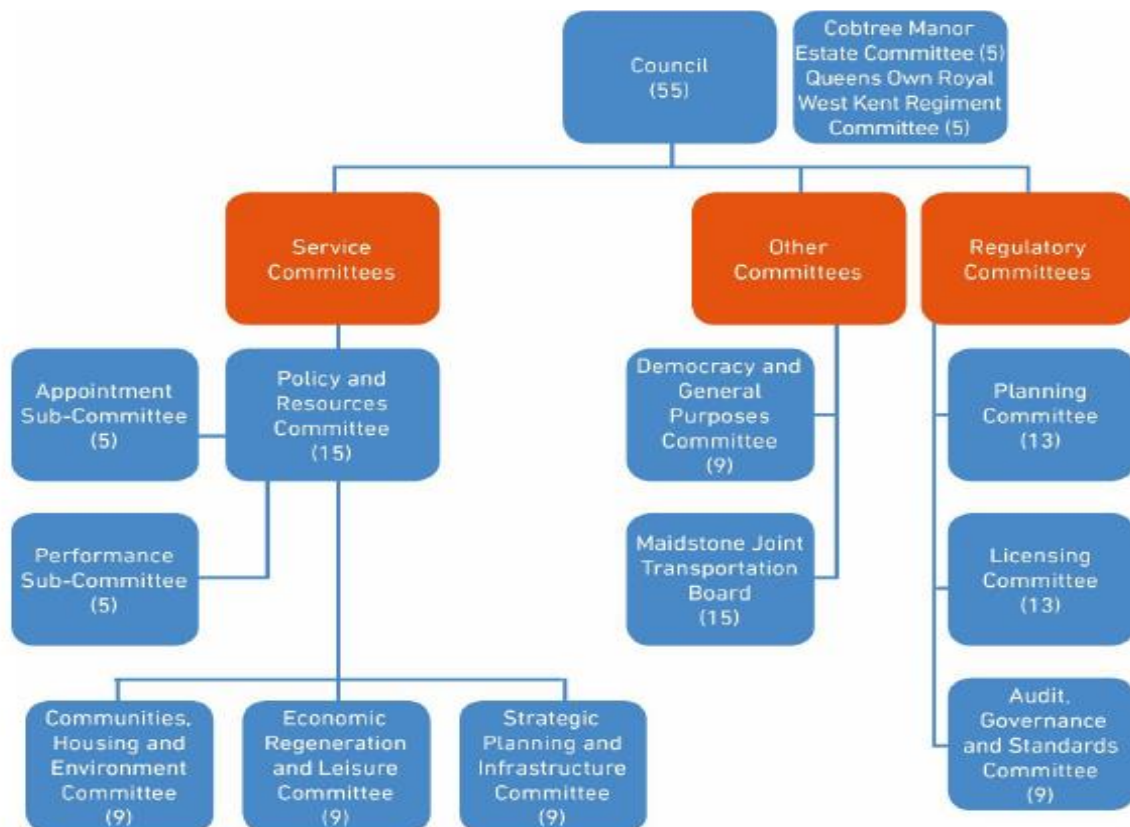
Key improvement area	Lead Officer	To be delivered by
Ensuring sufficient resource to deliver the ambition for embracing growth and enabling infrastructure priority (link to Corporate Risk Register)	Director of Regeneration and Place	1 March 2020
Ensuring there is protection against bribery and corruption.	Monitoring Officer	As identified in Audit report
Capacity to deliver the investment and regeneration programme – (link to Corporate Risk Register)	Director of Regeneration and Place Director of Finance and Business Improvement	1 March 2020
Property Maintenance, Health and Safety Compliance	Director of Finance and Business Improvement	1 March 2020
Governance for Maidstone Property Holdings	Chief Executive	1 March 2020
Contract Management	Director of Finance and Business and Improvement	1 November 2019
Partner Relationships	Chief Executive	1 November 2019

Scope of Responsibility

Maidstone Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for. Maidstone Borough 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. This Annual Governance Statement for 2018-19 also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1) which require an authority to conduct a review of the effectiveness of its system of internal control and the duty to prepare an annual governance statement.

Key Governance Roles and Responsibilities

The Council operates a committee system of governance and the Leader is the focus for political direction and the chief spokesperson for the Council. The Leader is also Chair of the Policy and Resources Committee. The Council has four service committees taking decisions within their terms of reference as agreed by Council; individual Councillors do not have the power to make decisions. In addition there are committees that deal with licensing, planning, audit, governance and standards, democracy and employment and other regulatory matters. The numbers shown in the diagram below reflect membership.



The Council's section 151 Officer, Mark Green and the Monitoring Officer, Patricia Narebor are key members of the Corporate Leadership Team, reviewing all

decisions taken through Leadership Team, Committees and Full Council. The Section 151 officer has a number of statutory duties, including the duty to report any unlawful financial activity involving the authority (past, present or proposed) or failure to set or keep to a balanced budget. The Section 151 officer also has a number of statutory powers in order to allow this role to be carried out, such as the right to insist that the local authority makes sufficient financial provision for the cost of internal audit.

The Monitoring Officer serves as the guardian of the Council's Constitution and the decision-making process. During the course of 2018-19 amendments to the Constitution have been referred to the Democracy Committee and revisions implemented in line with the decision of the Committee and under the monitoring officer's delegation. The Monitoring Officer is also responsible for advising the Council on the legality of its decisions and providing guidance to councillors and officers on the Council's Constitution and its powers. This includes dealing with complaints under the Councillors' Code of Conduct.

The Corporate Leadership Team is led by the Chief Executive who is Head of Paid Service and the Council's chief policy advisor with overall corporate management and operational responsibility.

The Head of Policy, Communications and Governance, has responsibility for corporate governance leading the council's corporate governance group and coordinating the annual governance statement as well as ensuring the Local Code of Corporate Governance is updated.

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

The Council has approved and adopted a Local Code of Corporate Governance in 2017, which is consistent with the principles of the Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executive's (SOLACE) Framework [Delivering Good Governance in Local Government Guidance Notes for English Authorities 2016](#).

Our Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and the activities through which it is accountable to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve the council's objectives, and therefore can 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 risks to the achievement of the council's objectives, to evaluate the likelihood of those

risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

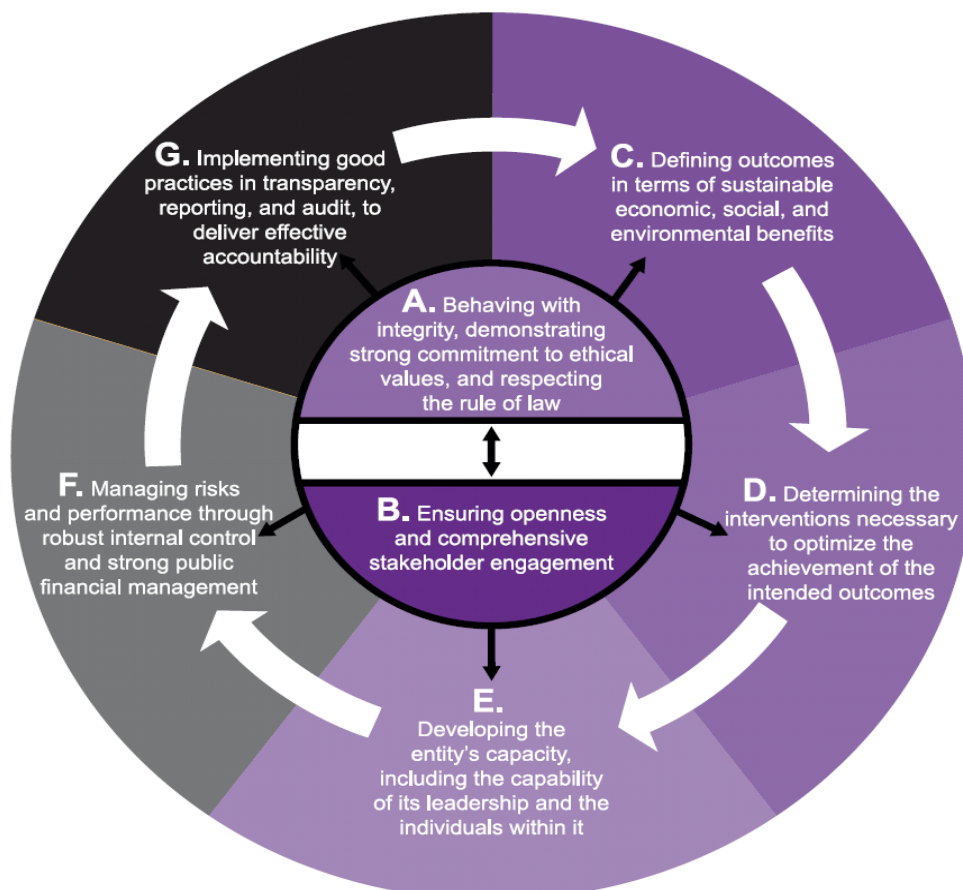
This governance framework has been in place at Maidstone Borough Council for the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts.

The International Framework: Good Governance in the Public Sector states that "Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."

Our Local Code sets out the framework within which we conduct our business and affairs and the governance structure we have in place. Whilst this code sets out principles, processes and policies, it is the application of the framework that will demonstrate good governance.

This statement sets out how we have demonstrated and met those principles in 2018-19.

The 7 principles within the Local Code of Corporate Governance



Looking back at 2017-18

A number of improvements actions were identified as part of the 2017-18 Annual Governance Statement

The table below shows progress with these actions:

Governance Issue	Update
Develop a clear and consistent strategic narrative with agreed vision and priorities	Strategic Plan Vision, Outcomes and Objectives were agreed in December 2018. New strategic Plan adopted
Audit Reviews with weak assurance: <ul style="list-style-type: none"> • Accounts receivable (focussed on debt recovery) • Procurement (focussed on small to medium contracts) • Land charges (focussed on controls between partner authorities) 	These audit reviews have now been rated as sound following implementation of agreed remedial action.
Stress Survey	Actions: <ul style="list-style-type: none"> • Presentation of results to Unit Managers and Staff Forum. • Team Talks delivered on the stress survey results and actions and appropriate behaviour. • Training for managers on managing resilience in teams • Well-being week and activities held
Risks: Housing Pressures Continue to Increase Project Failure – failure of significant capital projects of a housing and regeneration nature Financial Restrictions Data Protection Compliance Payment Card Industry (PCI) compliance	CLT received a monthly update on the service. Projects approved and managed MTFS Adopted Action plan has been progressed Project has been completed and council is PCI compliant.

Review of Effectiveness 2018-19

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

The Council adopted a new local code of corporate governance in 2017 which complies with the latest CIPFA and SOLACE "Delivering Good Governance in Local Government".

The Council also has in place a local code of conduct for Councillors and a code of conduct for staff. Code of Conduct training is carried out annually for Councillors and included in the new councillor induction programme. The monitoring officer has had cause during the year to remind councillors about the obligations within the code relating to the disclosure of exempt and confidential information. During the municipal year 2018-2019, there were 11 code of conduct complaints dealt with under the Localism Act 2011 against parish councillors and 8 complaints against Borough Councillors. One complaint was referred to the Standards Committee for a formal investigation hearing and sanctions applied and guidance was given to the individual.

Information on the employee code of conduct is set out in the staff handbook and is included in the induction for all new employees.

A [Register of Interests](#) is maintained and training is offered to councillors on standards, interests and our code of conduct. Councillor and Officer codes of conduct are in place. A register of gifts and hospitality is maintained and staff are reminded to complete this. Information on conduct is included in our Staff Handbook. Under the Local Government Act 1972, section 117, the Council requires officers to disclose any direct or indirect pecuniary interests they may have in any contract or potential contract involving the Council. It has been identified that the process and policy for the register of interests by employees and gifts and hospitality needs to be revised in 2019-20

The [Audit, Governance and Standards Committee's](#) purpose is to promote and maintain high standards of Councillor and Officer conduct within the Council. The Committee has responsibility for adopting and reviewing the Annual Governance Statement; independent assurance of the adequacy of the financial and risk management framework and the associated control environment.

We have a clearly defined set of core values that are embedded at the Council, they form part of our competency framework, are used as part of the appraisal process. Annually we hold a staff awards event for those who have demonstrated they have exceeded the standards by going above and beyond the expected in their behaviour.

There is an [Equality Policy](#) in place for the organisation the objectives and action plan were updated in 2018.

The Democracy Committee approved a member development programme that included training on interests and conduct. The Programme is focused on the following areas for Member Development:

- Support and build on existing skills for their role in the community now and in the future
- Support and build on existing skills for the various roles undertaken within and on behalf of the Council

The constitution is kept under review by the Democracy Committee and the Monitoring Officer, with changes agreed by full Council.

B. Ensuring openness and comprehensive stakeholder engagement

The Policy and Information Team and Communications Team work together with teams across the Council to ensure consultations are run consistently and effectively and are well communicated to all stakeholders. This collaborative working enables the teams to more effectively manage the consultation process, and in particular, better manage barriers such as 'consultation fatigue' - where we are consulting the same people repeatedly and they lose interest in responding. The Council is a member of the Consultation Institute, which provides a wealth of resources and insight. Officers have undertaken accredited training via the Institute to further improve our approach and processes.

Over the course of 2018-19 we have carried out 16 consultations including, for example: taxi emissions, Public Space Protection Orders, Borough Insight and Heather House as well as customer satisfaction surveys.

The Council has a Communication and Engagement Action Plan in place which is reviewed annually and approved by the Policy and Resources Committee. We also have a statement of community involvement in place for planning covering a whole variety of means of communicating with and involving residents in planning which was revised in December 2018. In 2018-19 we engaged with key stakeholders including Councillors, Parish Councils, businesses and residents on the development of our new Strategic Plan through surveys, meetings and events.

We believe in transparency and have a large amount of information available on the [data and information](#) pages of our website including details of payments to suppliers, decision notices, performance information, a list of our assets and senior staff salaries. We have dealt with a large volume of FOI requests: 704 in 2018-19 processing 94% on time. The Borough Insight magazine informs residents about our services and in 2018-19 we ran 365 days of good news promoting council services, activities and events throughout the year.

The Council takes up opportunities to engage with partners and stakeholders through avenues such as the Developers' forum, Parish Liaison meetings, Maidstone Destination Management Plan, BME forum, Children and Young People forum, Voluntary and Community Services focus group, disability network and older person's forum. We received positive feedback from the Kent Association of Local Councils on the Local Plan review. We have acted as community ambassadors in our capacity as the democratically elected body representing residents through events such as the workshop held with the Clinical Commissioning Group on GP provision.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.

The Council developed a new [Strategic Plan](#) in 2018-19 through a series of events, meetings and consultation with stakeholders. We have in place a new vision and four key priorities to 2045. Outcomes are measured through strategy action plan updates, performance measures and targets which are reported regularly to Wider Leadership Team and the Service Committees.



To ensure the delivery of the strategic plan priorities and actions each service is required to produce a service plan and individuals also identify how they meet the priorities in their objectives for the year. Regular updates are given on progress with the Strategic Plan at our Staff and Manager Forums as well as at our annual One Council event.

Our corporate report template requires report authors to identify how decisions align with the Council's priorities and show the options that have been considered and the impact of the recommended course of action. The new template agreed in 2018-19 includes the four new priorities and the four cross

cutting objectives. We also have a robust risk management framework in place, risks are reported to the Leadership Team, Policy and Resources and Audit, Governance and Standards Committees.

In 2019-20 a new commissioning strategy will be developed which will include social value considerations when we commission and procure goods and services.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

The [Council's Constitution](#) clearly defines the roles and responsibilities of Officers and Councillors. The Head of Legal Partnership has reviewed the constitutional arrangements and made recommendations for amendment in 2018-19.

The Council's four service committees are responsible for making decisions on the services delivered by the Council. The four service committees, Democracy Committee and Audit, Governance and Standards Committee have work programmes in place. These programmes detail the decisions and reports for the year and are reviewed monthly by each committee. Details of committees and their work can be found on our [website](#).

Democracy Committee reviewed the Committee Structure in 2018-19 and number of changes have been agreed to align the four service committees to the new strategic plan objectives with the biggest change to Heritage, Culture and Leisure Committee (now known as Economic Regeneration and Leisure Committee) taking on Economic Development from Policy and Resources.

Performance is reported on a quarterly basis to each service committee as well as updates on plans and strategies throughout the year. Corporate Leadership Team received monthly performance monitoring reports for Housing and Planning during 2018-19.

The Council has a transformation team which carries out reviews to improve the efficiency of council services. In 2018-19 reviews were carried out of Electoral Services and Customer Services, reviews planned for 2019-20 include street cleansing and leisure services.

Contract Standing Orders were reviewed in 2018-19 and as we head into 2019-20 the Council will need to ensure that effective contract management practice is embedded throughout the organisation.

The highest level risks on the Comprehensive [Risk Register](#), were reported and monitored by Corporate Leadership Team throughout the year, and action taken to manage risks to an acceptable level. Further to this, risks updates were reported to Policy & Resources Committee and also to Audit, Governance and Standards Committee during the year for oversight and challenge.

In 2018-19 the Council undertook a review of its property portfolio, introducing a better database and monitoring arrangements. Work will be undertaken in 2019-20 on health and safety compliance.

In 2018-19 two new projects were begun which will continue into 2019-20. One focused on a Borough that works for everyone - looking at inclusive growth and the other giving consideration to social value in our contracts and procurement.

In 2018-19 the Council had reason to pursue a judicial review of a County Council decision, a settlement and way forward has been agreed between both partners. The Council will need to continue to have a strong relationship with all partners to ensure the ambitious vision is delivered.

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

The Council in 2017 was accredited Silver following an Investors in People assessment. To achieve this level the Council had to demonstrate that we have in place regular appraisals, service plans, learning and development activities, recruitment and selection procedures as well as a clear strategic vision, good leadership and strong corporate values.

The appraisal process for staff includes a personal development section where staff are encouraged to think about development needs and identify training required. This information is then fed into the Learning and Development team and assists with the development of the programme for the year. The Council has a management toolkit and training programme and introduced the "Maidstone manager" in 2017-18 which sets out the behaviour and standards that are expected of managers.

The Council has a learning and development programme in place for officers and councillors. This has been assessed as good in the IiP assessment. There is a wide variety of training offered to staff and councillors.

The new Strategic Plan sets out a number of priorities and outcomes to be achieved by 2045, to achieve these we will need to look at the organisation's capacity particularly in relation to Economic Regeneration and Community Development.

F. Managing risks and performance through robust internal control and strong public financial management

The Council manages risk through a comprehensive risk management framework. This involves identification of risk at corporate and service levels,

ownership of individual risks by named officers, development of controls to mitigate risks, and regular reporting. Quarterly reports are presented to the Corporate Leadership Team and bi-annual reports to Policy and Resources Committee. Members take an active interest in the risk management process and engage fully in discussion about individual risks. The Council has in place a robust risk management framework and guidance, risk management is considered by the Audit Governance and Standards Committee.

Performance reports aligned to the Council's priorities are reported to the wider leadership team and service committees.

Service committees carry out policy and strategy development. Financial performance is reported to all the service committees on a quarterly basis.

Monthly budget spending is reported to budget holders and quarterly review meetings with the Director of Finance and Business Improvement are in place. The corporate report template requires information explaining the legal and financial impact of decisions and the S151 Officer and Monitoring Officer are required to comment on financial and legal implications of reports. Financial management whilst effective does need to be improved in the Planning Service with increased training and support for budget managers.

The Council has an anti-fraud and corruption policy in place and a whistle blowing policy.

The Council has a Data Protection Officer and has in place an action plan to ensure compliance with Data Protection Legislation. The information management group chaired by the Senior Information Risk Owner meets quarterly to review information management practice and policies including cyber security. Work is planned this year on improving data protection and compliance in CCTV, elections and information sharing.

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

The Council's website includes information that is required under transparency. We publish an [annual report](#) as part of our statement of accounts which includes our performance, progress against priorities and financial performance. We report the results of public consultation on our website and our committee meetings are webcast.

The Whistleblowing Policy was updated in 2016 and is due to be refreshed in 2019/20. The policy is available on the intranet and sets out a confidential reporting process for those who wish to raise concerns.

The annual governance statement and action plan is published on-line as part of the statement of accounts and reported to the Audit, Governance and Standards

Committee. The Local Code of Corporate Governance was rewritten in 2017 and will be refreshed in 2019-20.

Internal audit activity is reported on an annual basis to the Audit, Governance and Standards Committee to inform members of the internal audit activity that has taken place during the year.

We are part of Mid Kent Services, to ensure the partnership is operating effectively regular board meetings are held quarterly to manage performance. Looking ahead we will need to consider the changes in political leadership at our partner councils as this could impact the partnership.

Maidstone Property Holdings has been identified in 2018-19 as requiring corporate governance arrangements to grow alongside the activity levels of the company.

Internal Audit Opinion

The Head of Internal Audit will present the annual report and opinion to Audit, Governance and Standards Committee on 30 July 2019. The specific extract of that report that includes the opinion reads:

Internal Control

I am satisfied that during the year ended 31 March 2019 the Council managed a system of internal control that offers sound assurance on control effectiveness.

Governance

I am satisfied that Council's corporate governance arrangements for the year ended 31 March 2019 comply in all material respects with guidance on proper practices.

Risk Management

I am satisfied the risk management arrangements at the Council for the year ended 31 March 2019 are effective and provide sound assurance.

Signed:

Chief Executive:

Date:

Leader of the Council:

Date: