

Annual Governance Statement 2021/22 and Local Code of Corporate Governance Update 2022

Timetable	
Meeting	Date
Corporate Services PAC	13 July 2022
Audit, Governance and Standards Committee	26 July 2022
Executive	27 July 2022

Will this be a Key Decision?	No
Urgency	Not Applicable
Final Decision-Maker	Executive
Lead Head of Service	Angela Woodhouse, Head of Policy, Communications and Governance
Lead Officer and Report Author	Angela Woodhouse, Head of Policy, Communications and Governance
Classification	Public
Wards affected	

Executive Summary

Attached at Appendix A is the Annual Governance Statement for 2021/22. The purpose of the Annual Governance Statement is to provide assurance on the Council's governance arrangements. Attached at Appendix B is a refreshed Local Code of Corporate Governance with minor amendments. Audit Governance and Standards Committee are required to approve both of these documents. Sign off is sought from the Leader on the Annual Governance Statement.

Purpose of Report

Decision

This report makes the following recommendations:

1. The Annual Governance Statement at Appendix A be approved and signed by the Leader
 2. The local Code of Corporate Governance as amended at Appendix B be approved
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Annual Governance Statement 2021/22 and Local Code of Corporate Governance 2022 Update

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	<p>The four Strategic Plan objectives are:</p> <ul style="list-style-type: none"> • Embracing Growth and Enabling Infrastructure • Safe, Clean and Green • Homes and Communities • A Thriving Place <p>Effective corporate governance arrangements ensure the Council's priorities are understood and delivered</p>	Head of Policy, Communications and Governance
Cross Cutting Objectives	<p>The four cross-cutting objectives are:</p> <ul style="list-style-type: none"> • Heritage is Respected • Health Inequalities are Addressed and Reduced • Deprivation and Social Mobility is Improved • Biodiversity and Environmental Sustainability is respected <p>Effective corporate governance arrangements ensure the Council's priorities are understood and delivered</p>	Head of Policy, Communications and Governance
Risk Management	Already covered in the risk section at paragraph 5.1	Head of Policy, Communications and Governance
Financial	The action plan may have resource implications. These will be identified as projects come forward.	Head of Policy, Communications and Governance
Staffing	We will deliver the recommendations with our current staffing.	Head of Policy, Communications and Governance
Legal	<p>Section 6(1) of the Accounts and Audit Regulations 2015 requires all local authorities to:</p> <p>a) conduct a review of the effectiveness of</p>	Interim Deputy Head of Legal Services and Monitoring Officer.

	<p>the system of internal control required by regulation 3; and (b) prepare an annual governance statement;</p> <p>Under the Council's Constitution one of the functions of the Audit Governance and Standards Committee is to oversee the production of the Council's Annual Governance Statement. The Annual Statement demonstrates measures are in place to ensure good governance arrangements which enable the Council to meet its statutory requirements</p>	
Information Governance	Data protection is covered in the statement and action will continue into 2020-21	Information Governance Team
Equalities	Effective corporate governance arrangements include behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law as set out in the code of corporate governance.	Equalities & Communities Officer
Public Health	We recognise that the recommendations will not negatively impact on population health or that of individuals.	Public Health Officer
Crime and Disorder	No implications	Head of Policy, Communications and Governance
Procurement	No implications	Head of Policy, Communications and Governance
Biodiversity and Climate Change	The implications of this report on biodiversity and climate change have been considered and it aligns with the Biodiversity and Climate Change Action Plan	Head of Policy, Communications and Governance

2. INTRODUCTION AND BACKGROUND

- 2.1 Each year the Council reviews its governance arrangements to ensure compliance with the Local Code of Corporate Governance. The purpose of the review is to provide assurance that governance arrangements are adequate, operating effectively and to identify action which is planned to ensure effective governance in the future. The outcome of the review takes the form of an Annual Governance Statement (AGS) at **Appendix A** prepared on behalf of the Leader of the Council and Chief Executive.
- 2.2 Overall, we can confirm that the Council has the appropriate systems and processes in place. Whilst we are satisfied the governance arrangements in general work well our review has identified additional actions to ensure good standards of governance are maintained. The most significant governance issues relate to the change to the governance model that took place in May this year with actions focused on ensuring we maintain an effective decision-making process and an effective constitution. There are also a number of actions from last year that continue into this year including improving transparency and compliance with the financial management code
- 2.3 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.
- 2.4 The following areas have been identified for improvement for 2022/23

Corporate Governance Area	Lead Officer	By When
New Process for part II items embedded and officers trained	Head of Policy, Communication and Governance	November 2022
Data Protection Action Plan (previously reported to Audit Governance and Standards Committee)	Data Protection Officer	Action plan progress will be reported to this committee in November 2022
Actions to ensure compliance with the Financial Management Code: <ul style="list-style-type: none"> • Develop and embed a policy on Social Value • Review approach to investment appraisal for conformance with 'Principles in Project and Investment Appraisal' • Assess the usefulness of budget monitoring reports to the leadership team in supporting strategic decision making and identify scope for improving these as appropriate. 	Director of Finance and Business Improvement	November 2022 and March 2023

Corporate Governance Area	Lead Officer	By When
Learning from governance failings at other Local Authorities	Chief Executive	Monthly briefing to review any issues
Corporate Governance Review: Following the Boundary Review at a district level a community governance review is proposed for 2022/23, this will be undertaken by the Democracy and General Purposes Committee	Democratic and Electoral Services Manager	Timetabled with Democracy and General Purposes – updates to Audit Governance and Standards Committee in November 2022
Ensure effective decision making and a workable constitution. Review of constitution planned for December 2022 with the Democracy and General Purposes Committee	Head of Policy, Communications and Governance and Monitoring Officer	Update in March 2023
Promoting decision making on Garden Communities ensuring information is publicly available and accessible and the role of the council as developer versus the role as the planning authority is clear.	Director of Regeneration and Place	Updates in November 2022 and March 2023
Corporate Risk: General and localised economic pressure leads to contraction in retail sector , limiting the appeal of Maidstone town centre threatening social cohesion and business rates income.	Director of Regeneration and Place	Updates in November 2022 and March 2023 plus updates through the risk register and reports
Corporate Risk: General financial uncertainty , unexpected changes to government funding, failure to achieve income or savings targets, and increases in inflation places further financial restrictions on the Council resulting in difficulty maintaining standards or meeting aims.	Director of Finance and Business Improvement	Updates in November 2022 and March 2023 plus updates through the risk register and reports
Corporate Risk: Inflation continues to rise and a significant economic event (e.g. further pandemic impacts, BREXIT, supply chain issues) causes significant changes in construction costs which may also result in a contractor insolvency, as they are generally locked into delivering schemes at a fixed price, and so need to manage their exposure to rising costs in	Director of Regeneration and Place	Updates in November 2022 and March 2023 plus updates through the risk register and reports

Corporate Governance Area	Lead Officer	By When
their supply chain. For the Council, this leads to a narrowing gap between build price and end of property values, increased costs to the Council and a possible time lag in delivery of 1000 affordable new homes, owing to a lack of capacity in the construction sector.		

Progress against last year's action plan

2.5 Several improvement actions were identified in the 2021/22 action plan and the table below shows progress with those actions:

Corporate Governance Area	Update
Make data and information more freely accessible on the website and on request	<p>A new space has now been created on the website called information and data https://maidstone.gov.uk/home/primary-services/council-and-democracy/primary-areas/information-and-data</p> <p>To bring all the relevant elements into one accessible place this includes access to information and results on our consultations, access to the council's disclosure log, as well as useful statistics and data on local population.</p> <p>Work is currently underway on a dashboard development programme for services across the council. As part of this consideration is being given to publicly accessible information from services which could be made available through the use of dashboards, principles that need to be considered have been drafted for approval, which will help guide the Data Analytics Team. The team hope to have a first dashboard published this year.</p>
Data Protection Action Plan (previously reported to Audit Governance and Standards Committee)	Report to Audit, Governance and Standards Committee 15 November 2021
Raising awareness of the Local Code of Corporate Governance and the Nolan Principles	The local code of corporate governance was shared with Wider Leadership Team for development and insight in June 2021 and May 2022 . An update was given at a unit managers forum in 2022 on the code and what it means in practice. The Nolan principles for Councillors will be addressed when

Corporate Governance Area	Update
	the code of conduct is updated, this is being progressed by the Monitoring Officer.
<p>Actions to ensure compliance with the Financial Management Code:</p> <ul style="list-style-type: none"> • Develop and embed a policy on Social Value • Review and update the Commissioning Strategy • Hold Member workshops to inform the development of the 2022/23 budget • Review approach to investment appraisal for conformance with 'Principles in Project and Investment Appraisal' • Assess the usefulness of budget monitoring reports to the leadership team in supporting strategic decision making and identify scope for improving these as appropriate. • Refresh the 2021/22 Capital Strategy 	<p>Social Value – Work due to commence in next six months.</p> <p>Commissioning Strategy – Strategy has been reviewed and contract management guidance updated.</p> <p>Member workshops on budget – Briefings were held for members in the course of developing the 2022/23 budget. Discussions are starting to take place with members about rolling forward the Medium Term Financial Strategy for 2023/24.</p> <p>Investment Appraisal – approach being refined as part of Capital Strategy update</p> <p>Budget monitoring reports – Under review with a view to updating format for 22/23</p> <p>An updated Capital Strategy was considered by Members January 2022 and agreed by Council. It will continue to be updated on a regular annual basis.</p>
Learning from governance failings at other Local Authorities	Monthly meetings held with governance lead and statutory officers to review governance matters
Review of Church Road, Otham	Report completed and submitted to Democracy and General Purposes Committee on 23 November 2021. Considered by Policy and Resources Committee in February 2022.
Change to Executive Model of Governance	<p>Model approved by Full Council and notice of change published.</p> <p>External legal advisor appointed to assist the Democracy and General Purposes Working Group to write the new constitution.</p>

Corporate Governance Area	Update
	New constitution approved in April 2022, new model introduced at the May Annual Meeting of Council 2022.
Promoting decision making on Garden Communities ensuring information is publicly available and accessible and the role of the council as developer versus the role as the planning authority is clear.	<p>In respect of the public sector led Garden Community, there remains a clear separation in place between the Council acting as the Local Planning Authority and the Council acting as land promotor in partnership with Homes England. This differentiation is made clear in the various reports that go to the Strategic Planning and Infrastructure Committee and P&R Committees respectively.</p> <p>The Council and Homes England have appointed a communications firm to assist with community engagement from the land promotor perspective. Their work will include creating a new digital engagement platform for the project, where information with stakeholders can easily be shared.</p>
Corporate Risk: Contraction in retail and leisure sectors, the Council will be developing a Town Centre Management Strategy	The principle of creating a town centre strategy has been approved as part of the Council's Recovery and Renewal Action Plan and so the funding is now in place within the current Medium Term Financial Strategy, the project is now fully funded and underway. Furthermore, budget growth was approved for 2022/23 for further economic development, arts & culture and visitor economy initiatives to kick start the process of reimagining the town centre, including a full calendar of events to bolster visitor numbers.
Corporate Risk: Financial Restrictions	Under regular review. This is addressed as part of Risk Reports to AGS Committee and in quarterly monitoring reports to Service Committees. The Medium-Term Financial Strategy is being updated to reflect both implications from Covid and longer-term issues around slower economic growth. Furthermore, measures are being identified to address future budget gaps
Corporate Risk: Environmental Damage	Actions from the Carbon Trust report are in the process of being implemented and Policy & Resources Committee to provide governance and oversight on delivery of BD&CC Strategy.
Corporate Risk: Major Unforeseen Emergency	Work is ongoing to ensure the robustness of Disaster Recovery and Business Continuity Arrangements.
Corporate Risk: Housing Pressure Increases	Initiatives to increasing housing and temporary accommodation provision underpinned by the drafting of a new Housing Strategy. Furthermore, the Policy & Resources Committee in January 2022 approved its 1,000 homes programme for circa

Corporate Governance Area	Update
	£200m of net council spend into the Council development of new homes primarily for affordable rent, with further homes for the private rented sector too. Since then, contracts have been exchanged on to two substantial land acquisitions to support this programme.
Corporate Risk: Brexit/EU transition	Risk removed from the Corporate register, but operational elements continue to be monitored. MBC officers participate in Kent Resilience Forum planning for disruption at Channel ports.

Local Code of Corporate Governance

- 2.6 The Local Code of Corporate Governance created in 2017 has been updated as per the tracked changes set out in Appendix B, changes proposed are concerned with ensuring the accuracy of the Code and reflecting the recent change to the Council's governance arrangements from a Committee to and Executive System.
- 2.7 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, and used economically, efficiently and effectively. 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. The Code sets out how the Council meets these requirements and how we conduct our business and affairs.

3. AVAILABLE OPTIONS

- 3.1 The Annual Governance Statement is a requirement of statutory regulations and provides assurance about the Council's governance arrangements.
- 3.2 The Committee is asked to approve the Annual Governance Statement as it has been presented or make amendments.
- 3.3 The Local Code of Corporate Governance was rewritten in 2017, the refreshed version attached at Appendix B has minor amendments for approval by the Committee, the Committee could make additional amendments or no amendment to the present code.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Committee is asked to approve the Annual Governance Statement for sign-off by the Leader and approve the updated Local Code of Corporate Governance.
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5. RISK

- 5.1 The Annual Governance Statement considers and gives assurance to the Council's approach to risk management.
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6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Members of the Wider Leadership Team and the Corporate Governance working Group have all been consulted on the council's governance arrangements for 2021/22, the views gathered have been included in the statement.
- 6.2 They have also been consulted on the Local Code of Corporate Governance and changes have been included as suggested.
- 6.3 Corporate Services Policy Advisory Committee considered the report and agreed that it be recommended for sign off by the Leader. No amendments were requested.
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7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 Following the Audit, Governance and Standards Committee's approval the statement will be included in the final statement of accounts and published on the Council's website. The refreshed Local Code of Corporate Governance will be placed on the website and intranet.
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8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix A: Annual Governance Statement 2021/22
 - Appendix B: Local Code of Corporate Governance 2022 Update
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9. BACKGROUND PAPERS

None