

**MAIDSTONE BOROUGH COUNCIL**  
**DRAFT ANNUAL GOVERNANCE STATEMENT**  
**2010/11**

**1. SCOPE OF RESPONSIBILITY**

- 1.1 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.
- 1.2 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.
- 1.3 Maidstone Borough Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework "Delivering Good Governance in Local Government". A copy of the Code is on the website at [www.maidstone.gov.uk](http://www.maidstone.gov.uk) or can be obtained from the Council at Maidstone House, King Street, Maidstone, Kent ME15 6JQ. This statement explains how Maidstone Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011.

**2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts 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.
- 2.2 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 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 Maidstone Borough Council's policies, aims and objectives. It evaluates the likelihood of those risks being realised and the impact should they be realised then provides

a means of managing the risks efficiently, effectively and economically.

- 2.3 This governance framework has been in place at Maidstone Borough Council for the year ended 31 March 2011 and up to the date of approval of the annual report and Statement of Accounts.

### **3 THE GOVERNANCE FRAMEWORK**

- 3.1 The following elements represent the key elements of the corporate governance and internal control environment:
- 3.2 The Borough vision is set out within the Sustainable Community Strategy. The Strategic Plan then reflects that vision and establishes complimentary priorities. Monitoring against the key measures of success is reported quarterly to Cabinet. Key Performance Indicator outturns are subject to review by Cabinet, Overview and Scrutiny committees and, ultimately, by the full Council.
- 3.3 The Council's Constitution specifies the roles and responsibilities of Members and Officers and lays down financial and contract procedural rules for the efficient and effective discharge of the Council's business. The Constitution includes the roles and responsibility of the Standards and Audit Committees.
- 3.4 The Council has wide ranging arrangements to consult and work with both partners and the public on issues directly related to Corporate Governance. These parties are consulted on the Council's long term vision, the key priorities of the Council and on resource issues relating to the budget strategy for the delivery of these key priorities. The major partnership is the Local Strategic Partnership (LSP) which delivers the requirement of the Sustainable Community Strategy and partner objectives. Partners and the public receive reports on the actual performance of the Council in delivering its priorities and there is also consultation on the effectiveness of these reporting arrangements.
- 3.5 Policy and decision-making is facilitated through reports from Officers to Cabinet and individual Cabinet Members. Each Cabinet Member has a specific portfolio and will take decisions on matters relevant to the portfolio. The Overview and Scrutiny Committees which broadly mirror the specific Cabinet portfolios have the opportunity to 'call-in' the decisions of Cabinet and recommend changes to decisions or policies.
- 3.6 The Audit Committee reviews all aspects of Corporate Governance and Risk Management. In particular, it considers regular reports from Internal and External Audit and gives observations and recommendations to Cabinet. It also considers the Annual Statement of Accounts and recommends them to Council and now considers and monitors the progress of the annual Treasury Management Strategy and the risk assessment of the Medium Term Financial Strategy.

- 3.7 Compliance with established policies, procedures, laws and regulations is achieved through:
- a) The monitoring of Corporate Governance by the Corporate Management Team, which meets weekly and is chaired by the Chief Executive. Corporate Governance is a standing item on the agenda.
  - b) A well established and effective Internal Audit section which works to an approved three year audit plan. Individual audit reports are produced for the relevant managers, with a copy to the Chief Executive, the Responsible Finance Officer and appropriate Director, and six monthly reports to Audit Committee which evaluate the overall internal control environment tested through the audit work. An annual review of audit work and effectiveness, supported where appropriate by a Peer Review or a review by External Audit every three years, is produced for Audit Committee.
  - c) External Audit, who produce a number of reports which are reported to management and Members. Recommendations and comments are considered and, where necessary, action is taken to address any issues raised.
  - d) The Council has a Treasury Management Code of Practice and Strategy and Prudential Indicators which are monitored on a daily basis.
  - e) Financial Monitoring with regular reporting to Officers authorised to spend, Management Team and Cabinet which facilitates the effective control of the budget.
  - f) An Annual Corporate Planning Cycle approved by Cabinet which facilitates the effective planning of service delivery, including the identification of risks, and budgeting.
  - g) Quarterly meetings held with each Head of Service to monitor performance and ensure compliance with a range of corporate policies with summaries of each meeting cycle being reported to Management Team.
  - h) The Council's established complaints system backed up by a database linked to the Council's Customer Relationship Management System (CRM) which monitors action taken in relation to individual complaints through an audit trail, facilitates the escalation of complaints to Stage 2 and provides a mechanism for managers to ensure that complaints are dealt with within the prescribed timescales. The system also provides strategic information on complaints which is reported regularly to Management Team and Standards Committee.

- i) An agreed Risk Management Strategy with identified corporate strategic risks and Management Action Plans. The Strategic Risk Register is subject to regular review. Risks to service delivery (operational risks) have been accepted as the responsibility of individual authorised officers and incorporated into Service Plans. Heads of Service are responsible for ensuring that their service managers retain an effective operational risk register. Risk management is a standard heading for consideration of all reports to Management Team and Members. A formal risk assessment is required for reports which require decisions on strategic issues or which seek approval for significant projects.
- j) Effective professional relationships between the Council and its external auditors and inspectors.
- k) Service delivery by trained and experienced people. Further details of human resources related initiatives are set out in an approved People Strategy. Members receive regular planned training and have received a Members' Training Charter. The Council has had an Investors in People (IiP) award for a number of years, which involves regular appraisals, service and training planning, training evaluation forms, recruitment and selection procedures and initiatives such as Work/Life Balance. The Council was re-accredited with IiP early in 2011.
- l) Performance Management, which is achieved through 'Reach the Summit' and the Council's Performance Plan. Procedures are in place to regularly review the performance of the Council across all sections and in a timely manner. Regular reports are presented to Management Team and Cabinet and Overview and Scrutiny Committees.
- m) The Council's policy of early closure of the accounts which enables presentation of the statutory Statement of Accounts to Members to meet the statutory timetable. This facilitates good financial management and allows the historic accounts to be an effective influence to future financial planning and management.
- n) The Council's effective overview and scrutiny process which has a nationally recognised reputation. This contributes significantly to the internal control environment.
- o) Standards and Audit Committees that monitor and improve the arrangements for Corporate Governance within the Council.
- p) The governance arrangements for the Local Strategic Partnership (LSP). Governance has been reviewed in 2010/11 and the board of the LSP has been amended and refocused. The structure now includes small, focused delivery boards for each key outcome.
- q) Service level agreements which are in place for all major grants to the voluntary sector. The medium term financial strategy for

2011/12 commenced a review of parish funding, in consultation with parish councils, to agree an appropriate focus on council priorities and to develop a robust arrangement for future funding.

- r) The Cabinet agreeing a Local Code of Corporate Governance which is reviewed and reported to Cabinet on an annual basis by the Corporate Governance Officer Working Party.
  - s) The Council appointing a Monitoring Officer and Head of Legal Services to oversee its compliance with laws and statutory obligations. The Monitoring Officer, who is a Member of Management Team, reports on a regular basis to the Council's Standards Committee.
- 3.8 Corporate Governance is at the heart of everything the Council does, for staff this is incorporated into the six core values (STRIVE) in the delivery of services. This incorporates key elements such as customer service, delivery of targets, integrity in high standards of Corporate Governance, Value for Money and efficiency and equality.

#### **4 REVIEW OF EFFECTIVENESS**

- 4.1 Maidstone Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of corporate governance and internal control. This is undertaken by the Corporate Governance Officer Working Party. An internal review was undertaken during 2010/11. The review of effectiveness of the system of corporate governance and internal control is informed by the work of the internal auditors and the Council's executive officers who have responsibility for the development and maintenance of the overall governance environment, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The Council is keen to allow itself to be the subject of external scrutiny, challenge and peer review and has an effective internal mechanism for regularly reviewing governance controls.
- a) The Council responds positively to the annual audit opinion and value for money conclusion. The comments from the annual audit letter and any comments made during the work of the Auditor in reaching the conclusions contained in the letter are incorporated into improvement plans and have been and continue to be acted upon.
  - b) During 2010 the Council undertook a staff survey through Times Best Companies. Feedback from the survey showed, as an overall measure, that staff engagement had improved since 2008. The Council plans to facilitate a leadership development programme in 2011 in response to some of the feedback received.

- c) In 2010 the Audit Committee, in partnership with the other three authorities within the Mid Kent Internal Audit Partnership, commissioned a cross borough peer review of the committees by Local Government Improvement and Development. This review has identified a number of areas where improvements can be made including:
    - a. The members' training programme
    - b. The tracking of recommendations
    - c. The expansion of the committee's role regarding governance and partnerships.
  - d) During 2010/11 the Council was reviewed and re-accredited with Investors in People. Along with recognition for wide ranging strengths and good practice a small number of improvements were recommended in the report for action in 2011/12.
  - e) In December 2010 a review of the Mid-Kent Improvement Partnership (MKIP) was commissioned by the partner members, which includes Maidstone Borough Council. The Audit Commission was engaged to consider MKIP's governance structure and its ability to achieve the objectives of the partnership. In addition this Council's Audit Committee commissioned a review of the efficiencies identified by MKIP and the delivery of those efficiencies on the ground.
  - f) Other examples of external challenge are the regular reviews of benefit processes by the Audit Commission and other assessments, such as those involved in the Chartermark and Beacon status. Benchmarking and other comparisons are also regularly used.
- 4.3 Following the productivity peer review completed for the Council in 2009/10, the Council has produced a completely new strategic plan for 2011 onwards. This has been developed with a refocus of the Council's priorities on its three key objectives moving forward. In doing this it has identified the priority of all service areas and the method of efficiency to be targeted to each area.
- 4.4 Six monthly internal audit reports have been presented to the Audit Committee. The Annual Internal Audit Report gave the Head of Internal Audit's view on the overall internal control environment, which has subsequently been agreed. The annual internal audit report includes an analysis showing the 'internal control/assurance level' that was given for each audit review at the time of the audit and the reassessed assurance level that was given at the time of the follow up. Improvements in control are therefore demonstrated individually for each review and collectively as an overall "direction of travel" improvement.
- 4.5 The effectiveness of the system of Internal Audit for 2010/11 was confirmed by a combination of an internal self-assessment, customer satisfaction survey, a three yearly review by external audit and an earlier comprehensive peer review. The results of the exercise were reported to

the Audit Committee in May 2011 and concluded that the Internal Audit section was effective in operating an internal audit service for 2010/11.

- 4.6 Risk Management is included in service planning, project planning and decision making. A significant update and refocus of the Strategic Risk Register to more closely address the key objectives contained in the Council's Strategic Plan occurred during 2010/11. In addition the LSP undertook a similar review of their strategic risks and developed a risk register linked to the objectives of the Sustainable Communities Strategy.
- 4.7 Management Team and Cabinet receive regular reports on performance across the Council and also take the opportunity to review processes and procedures. This has resulted in resources being redeployed to areas of concern. In 2009/10 the Council acquired a new performance management system. The new system has been implemented for reporting in 2010/11. Along with the development of links between the LSP, SCS and the strategic risk register, the Council has developed new performance scorecards based on the balanced scorecard approach. This approach will be implemented for reporting in 2011/12.
- 4.8 A new project management toolkit has been introduced along with a project overview board. The board considers the major projects currently being undertaken by the Council at a strategic level and ensures resources are applied and actions taken to maintain control over all such projects.
- 4.9 The Responsible Financial Officer and the Monitoring Officer periodically review the Constitution, procedures for internal financial control, application of the various Codes of Conduct and, within Management Team, have specific responsibility for the relevant aspects of Corporate Governance.
- 4.10 The Cabinet has agreed a Local Code of Corporate Governance which is reviewed and reported to Cabinet on an annual basis.
- 4.11 The Corporate Governance Working Group has advised on the implications of the results of the review of the effectiveness of the corporate governance system and a plan to address the issues identified and ensure continuous improvement of the system is in place.

## 5 **SIGNIFICANT GOVERNANCE ISSUES**

- 5.1 The Statement of Internal Control for 2009/10, considered in May 2010, contained a small number of issues which were to be addressed during 2010/11 and these are detailed below:-
  - a) Audit reports with a level of assurance lower than substantial – two areas were outstanding at March 2010 relating to IT Disaster Recovery and the Business Transformation Programme. The six monthly follow-up reviews by Internal Audit on these areas have confirmed that the level of control assurance increased during the year to substantial.

- b) Consideration of and improvements to the role of the Audit Committee were commencing at the end of 2009/10. The role of the committee has now been agreed to include the approval of the annual statements of accounts, consideration of the treasury management strategy and monitoring of progress against that strategy along with the risk assessment of the medium term financial strategy. The committee took responsibility for these matters during 2010/11.
- c) The organisational Productivity Peer Review undertaken by the IDeA in 2009/10 identified a number of actions that have been incorporated into the Council's Corporate Improvement Plan. The key action to focus the strategic priorities has been completed through the approval of the Strategic Plan 2011-2015.
- d) Partnership Working – the Council's partnership protocol has been reviewed during 2010/11. The governance arrangements for the LSP have also been reviewed.

5.2 During the review of the effectiveness of Corporate Governance in 2010/11 the following areas have been identified for further work in 2011/12:-

- a) Audit reports with a level of assurance that are lower than substantial at the end of 2010/11, where follow up reviews have not been completed are Licensing, Housing Improvement Grants and Control of Capital Projects (Crematorium). The six month follow up reviews on these audits are yet to take place and if they do not confirm a substantial assurance level at that time further action will be recorded and reported through agreed procedures.
- b) To align with other changes throughout Kent and as part of the government's localism agenda the Council will need to work closely with its LSP partners to develop the Locality Board for Maidstone.
- c) As part of the work on the new strategic plan and reduced strategic priorities, the Council has commenced a review of funding arrangements with parish councils. This review is intended to identify the most appropriate method of funding priority work at a local level through the parish councils.
- d) Actions from Times best companies staff survey
- e) The Investors in People review report recommended a small number of areas for focus in the coming year. These are in line with the actions from the Times Best Companies staff survey. The actions are to strengthen the approach to coaching in the organisation, to enable a better follow through of objectives after a restructure to ensure good practice remains embedded and the development of a more consistent approach to team meetings within the organisation.



- f) Actions from the Peer Review of the Audit Committee
- g) In line with the work completed on the strategic plan and key priorities, the Council will review the committee and cabinet structure within the organisation during the early part of 2011/12 with the intention of commencing the new structure at the commencement of the municipal year.

5.3 Over the coming year it is proposed that steps to address the above matters will be taken to further enhance the Council’s governance arrangements. These steps will address the need for improvements that were identified in the review of effectiveness and their implementation and operation will be monitored as part of the next annual review.

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Chief Executive

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Leader