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MAIDSTONE BOROUGH COUNCIL

DRAFT ANNUAL GOVERNANCE STATEMENT

2011/12

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 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(3) 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, and then provides a means of managing the risks efficiently, effectively and

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economically.

- 2.3 This governance framework has been in place at Maidstone Borough Council for the year ended 31 March 2012 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 complementary priorities. Monitoring against the key measures of success and any corrective action 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 Services are delivered by trained and experienced staff. The details of human resources related initiatives are set out in an approved People Strategy.
- 3.5 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.
- 3.6 Compliance with established policies, procedures, laws and regulations is achieved through:

Monitoring:

- a) The monitoring of Corporate Governance has a high priority at the Council. This is demonstrated by the fact that monitoring is achieved through the Corporate Leadership Team that meets quarterly on this matter. In addition responsibility for operational control of the Council's arrangements is set at Head of Service level. The two key heads of service, Audit and Finance, are represented at the quarterly meetings.
- b) The Council has appointed 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 the Corporate Leadership Team, reports on a regular basis to the Council's Standards Committee.

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- c) The Council has an effective overview and scrutiny process. This contributes significantly to the internal control environment.
- d) Standards and Audit Committees exist with a responsibility to monitor and improve the arrangements for Corporate Governance within the Council.
- e) The Cabinet consider and agree a Local Code of Corporate Governance annually, which is reviewed and reported to Cabinet on an annual basis by the Corporate Leadership Team. This document forms part of that report.

Audit:

- f) Internal Audit -The Council is a member of a well established and effective Internal Audit partnership that works to an approved three year audit plan. Individual audit reports are produced for the relevant managers, with a copy to the Chief Executive and the appropriate Director. A half yearly report is provided to the Audit Committee setting out the result of audit work during the first half of the financial year. An annual report to the Audit Committee provides an overview of audit work and an assessment of the effectiveness of Internal Audit.
- g) The annual report to the Audit Committee on 11 June 2012 contains the opinion of the Head of Audit Partnership that 'substantial reliance can be placed on the Council's control environment in terms of the overall adequacy and effectiveness of the controls and processes which are in place to achieve the objectives of the Council'.
- h) 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. To achieve this there are effective professional relationships between the Council and its external auditors and inspectors.

Risk Management:

- 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.
- j) Risk management is a standard heading for consideration of all reports to Corporate Leadership Team and Members. A formal risk assessment is required for reports which require decisions on strategic issues or which seek approval for significant

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projects/funding.

Performance Monitoring:

- k) 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 the Corporate Leadership Team and Cabinet and Overview and Scrutiny Committees.
- l) An Annual Corporate Planning Cycle approved by Cabinet which facilitates the effective planning of service delivery, including the identification of risks, and budgeting.
- m) 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 Corporate Leadership Team.
- n) A corporate project board exists, meeting quarterly and a project management toolkit is utilised to develop and monitor major projects. 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.
- o) The Council has had an "Investors in People" (IiP) award for a number of years, which involves regular appraisals, service and training planning, learning and development, training evaluation forms, recruitment and selection procedures and initiatives such as Work/Life Balance. The Council was re-accredited with IiP early in 2011.

Finance:

- p) Financial Monitoring with regular reporting to Officers authorised to spend, Corporate Leadership Team and Cabinet which facilitates the effective oversight and control of the budget.
- q) The Council has a Treasury Management Code of Practice and Strategy and Prudential Indicators which are monitored on a daily basis. The indicators are published as part of the Council's annual budgets and are available from the following location:
http://www.maidstone.gov.uk/council_and_democracy/council_budgets_and_spending/annual_accounts.aspx.
- r) 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.

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Transparency:

- s) 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 Corporate Leadership Team and Standards Committee.

The agenda for meetings of the Standards Committee are available here:
<http://meetings.maidstone.gov.uk/ieListMeetings.aspx?CId=129&Year=2012>

- t) The Council publishes details of all Council spending to suppliers, senior officer salaries and details of all new contracts via its website.

The spending data can be viewed on the Council's website at:
http://www.maidstone.gov.uk/council_and_democracy/council_budgets_and_spending/payments_to_suppliers.aspx

Partnerships:

- u) The governance arrangements for partnership working have been reviewed and revised with the Local Strategic Partnership's dissolution and the establishment of the Maidstone Locality Board. The Board has significantly greater democratic representation from both the county and district councils.
- v) Greater partnership working has also been established with key partners, to support delivery of corporate priorities and objectives, including joint working on specific service areas and initiatives, such as community development, community safety and health promotion.
- w) The parish services scheme has been consulted upon and an implementation plan agreed for delivery during 2012/13, working collaboratively with parish councils, to will replace the previous concurrent functions grant funding.

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 Leadership Team. The review of effectiveness undertaken in 2011/12 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.

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- 4.2 During 2011/12 Corporate Leadership Team has made a number of changes to the way in which compliance with the local code of corporate governance is monitored. These changes formalise reporting through Covalent, the Council's performance management system, and will also improve the annual review work of Corporate Leadership Team.
- 4.3 The Council actively seeks opportunities to engage in external scrutiny, challenge and peer review. The Council also has effective internal mechanisms for regularly reviewing governance controls. These have resulted in the following specific review activities in 2011/12.
- a) The Council responded positively to the annual external auditors audit opinion and value for money conclusion.
 - b) In March 2012 a Planning Peer Challenge was undertaken by the Local Government Association (LGA) in conjunction with the Planning Advisory Service (PAS).
 - c) A Resident Survey was conducted in December 2011. The survey provided a public assessment of satisfaction with how the Council runs its services. The results of the survey were reported to Cabinet in [March 2012](#) .
 - d) The Council conducts regular employee surveys by alternating, on an annual basis, the employee engagement survey (Best Councils) and a stress survey. In 2011/12 a stress survey was completed.
 - e) An internal review of the success of the project management toolkit has been carried out by the Business Improvement Team.
 - f) Other examples of external challenge are the regular reviews of benefit processes by the Audit Commission (through the work on the Benefit Subsidy Grant Claim) and other assessments, such as those involved in the Chartermark and Beacon status. Benchmarking and other comparison processes are also regularly used.
- 4.4 The Council's Strategic Plan for 2011-15 was refreshed in 2011-12. A resident survey was carried out, with residents being asked to identify areas the council should be addressing. The responses helped to support the Cabinet's prioritisation of spending against services.
- 4.5 The Council has agreed an Improvement Plan, which is managed by the Business Improvement Team. The objectives of the improvement plan are will be monitored through the Improvement Plan Group throughout 2012/13. The Improvement Plan has three objectives:
- a) A reduction in net cost, through making savings or increased income
 - b) Improving or maintaining quality: ensuring we deliver excellent services, which means delivering what is promised to agreed standards
 - c) Identifying and responding to opportunities aligned with the Strategic Plan

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The plan can be found here:

<http://meetings.maidstone.gov.uk/documents/s19320/Cabinet,%20Council%20or%20Committee%20Report%20for%20Improvement%20Plan%202012-15%20enc.%201.pdf>

- 4.5 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.
- 4.6 The effectiveness of the system of Internal Audit for 2011/12 was confirmed by a combination of an internal self-assessment and a customer satisfaction survey. The results of the exercise were reported to the Audit Committee in June 2012, which concluded that an effective internal audit service was in place in 2011/12.
- 4.7 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.
- 4.8 Corporate Leadership 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. The Council has developed new performance scorecards based on the balanced scorecard approach. This approach has been effectively used for reporting in 2011/12.
- 4.9 The Responsible Financial Officer and the Monitoring Officer have periodically reviewed the Constitution, procedures for internal financial control, and the application of the various Codes of Conduct. Members of the Corporate Leadership Team have specific responsibility for the relevant aspects of Corporate Governance.
- 4.10 The Cabinet agreed the Local Code of Corporate Governance for 2011/12. The code is reviewed, updated and reported to Cabinet on an annual basis.
- 4.11 The Corporate Leadership Team has considered the implications of the results of the review of the effectiveness of the corporate governance system and a plan, to address the issues identified in table 2 of section 5 of this statement and to ensure continuous improvement, is in place.

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5 SIGNIFICANT GOVERNANCE ISSUES

5.1 The Statement of Internal Control for 2010/11, considered in June 2011, contained a small number of issues which were to be addressed during 2011/12 and these, and the actions taken during the year, are detailed in table 1 below.

Governance Issue	Action Taken in Year	Outcome
<p>Audit reports with levels of assurance lower than substantial.</p> <p>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).</p>	<p>Follow up reviews were completed on all three areas.</p>	<p>All three areas achieved a substantial level of assurance at review.</p>
<p>Locality Board for Maidstone</p> <p>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.</p>	<p>The changes to the partnership architecture have been agreed and implemented with the creation of the Maidstone Locality Board. The Board have identified its key priorities which align with those of the key partners and the council's Strategic Plan</p>	<p>Locality Board established Priorities identified Work programme and actions being developed to be agreed at the June Locality Board meeting</p>
<p>Parish Council Funding</p> <p>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.</p>	<p>The review of the concurrent functions grant scheme has been undertaken and consulted upon and a new Parish Services scheme has been devised</p>	<p>Parish Services scheme designed Implementation plan produced Pricing schedule produced Individual agreements to be established during 2012/13</p>

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<p>Investors in People 2010</p> <p>The review report recommended a small number of areas for focus in the coming year.</p> <ul style="list-style-type: none"> a) to strengthen the approach to coaching in the organisation, b) 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 c) 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 	<p>Several members of staff, including the Learning & Development Manager are involved with the Kent Coaching and mentoring scheme which requires them to become trained as a coach and this then to become trained as a coach and this then enables the organisation to have access to trained coaches and mentors throughout Kent.</p> <p>The organisation has commenced One Council briefings to clarify the organisations purpose and use this as the basis for role alignment – this will continue to be rolled out with teams.</p> <p>Core brief documents are now produced to give a consistent framework for team meetings.</p>	<p>The impact of these actions will be gauged during the year through the Best Councils' employee survey</p>
<p>Actions from the Peer Review of the Audit Committee:</p> <ul style="list-style-type: none"> a) Improvement to the Member's training programme b) The tracking of recommendations c) The expansion of the committees role regarding governance & partnerships 	<p>A Member training programme was developed and introduced in 2011/12.</p> <p>Forward programme for the Committee produced</p> <p>Chairman's briefings undertaken</p>	<p>Independent Committee member to be appointed</p> <p>Review and implementation of any remaining recommendations to be completed during 2012/13</p>

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<p>Committee and Cabinet Structure</p> <p>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</p>	<p>A review of the Committee and Cabinet Structure was undertaken in 2011 culminating in a report to Council on 27 April 2011. Available here:</p> <p>http://meetings.maidstone.gov.uk/documents/s13362/Cabinet,%20Council%20or%20Committee%20Report%20for%20Review%20of%20Committees.pdf</p>	<p>A range of options were considered the review focussed on how best to retain the strengths of the current arrangements while removing rarely used Committees, removing duplication and otherwise seeking to make the Council's arrangements more effective and efficient within the resources available.</p> <p>As a result of the review a number of changes were made including reducing the number of scrutiny committees from 4 to 3, aligning the scrutiny structure to the Council's strategic priorities. The number of council committees overall was reduced and terms of reference clarified. The Strategic Housing Advisory Committee was disbanded and replaced with a more effective housing consultative board</p>
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5.2 During the review of the effectiveness of Corporate Governance in 2011/12 a small number areas have been identified for further work in 2012/13. These are detailed in table 2 below.

Governance Issue	Required Action	Target Date
<p>Audit reports:</p> <p>Reports with levels of assurance lower than substantial.</p>	<p>At the end of 2011/12 the following report had a control assurance of 'limited' but had not had a follow up review: Emergency Planning</p>	<p>A follow up review will be completed by July 2012.</p>
<p>Annual External Audit Report:</p> <p>Recommendations arising from report</p>	<p>Review & replace the asset register</p>	<p>As part of service plan by November 2012</p>
<p>Planning Peer Review:</p> <p>Recommendations arising from review</p>	<p>The Peer Review was conducted in March 2012 and the final report was received in May 2012; an action plan needs to be produced and a workshop, facilitated by the Planning Advisory Service, is scheduled for June 12th 2012. The outcomes of this will be presented to the Cabinet Member for Planning and Transport for consideration and agreement of the actions to be implemented</p>	<p>Action Plan to be agreed July 2012</p> <p>Actions to be integrated into the relevant service plans and reviewed according to the corporate service planning and performance monitoring timetable</p>
<p>Residents survey:</p> <p>Actions arising from specific satisfaction level results.</p>	<p>Service Managers have been asked to consider the results of the survey and incorporate actions into their service plans.</p>	<p>Target dates are monitored as part of one to one meetings that include all service plan actions. Target dates will vary.</p>
<p>Stress Survey:</p> <p>Need to clarify individual roles and purpose.</p>	<p>Progress through the employee engagement programme as part of the "One Council"</p>	<p>One Council May 2012</p>

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Support to reduce bully at work.	<p>briefings</p> <p>e-learning interactive training to be provided.</p>	<p>Employee Engagement work in teams June 2012 to March 2013</p> <p>September 2012</p>
<p>Project Management:</p> <p>Enhance project sponsorship.</p>	New project sponsorship toolkit to be compiled and service managers to be trained.	Training to be underway by September 2012.
<p>OSC Review of Governance:</p>	<p>The objective is to improve transparency and accountability in decision making at Maidstone Council.</p> <p>The review will be conducted using the Centre for Public Scrutiny's local accountability framework and will be undertaken by the scrutiny team supported by the Mid Kent audit team.</p> <p>The mechanism for member participation in the review is dependent on the outcomes from O&S Committee work programme discussions which are currently on-going; if not part of the O&S programme then an alternative arrangement will be sought.</p>	<p>Commence July 2012.</p> <p>Review completed by December 2012 for subsequent consideration by Full Council.</p>
<p>Museum East Wing project:</p> <p>Outcomes from the review</p>	The Cabinet had expressed concerns regarding the Museum East Wing project and have commissioned separate reviews on the contract management and fundraising management arrangements.	Reports will continue to be provided to Cabinet, the Cabinet Member and the Audit Committee during 2012 to ensure lessons learned are incorporated for future projects

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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