

DRAFT FOR APPROVAL

Kent County Council – Annual Governance Statement 2019/20

Purpose of Statement

The purpose of this Annual Governance Statement (AGS) is to provide an overview of how the County Council's governance arrangements operated during the financial year 2019-20 and in the relevant period up to the signature of the statement. This statement forms part of Kent County Council's Statutory Accounts and it was published in draft before its presentation to the authority's Governance & Audit Committee for approval. The signatories of this statement on behalf of KCC are the Leader of the Council, the Head of Paid Service, the Section 151 Officer and the Monitoring Officer. The Head of Internal Audit is also required to provide an annual opinion to inform the AGS. All Corporate Management Team members input to and endorse the Annual Governance Statement before it is published.

The AGS provides an overview of the controls that are in place to manage key governance risks. In instances where key governance issues have been identified, detail of actions taken to make improvements and work still to be undertaken are documented in action plans. Kent County Council is required to produce an Annual Governance Statement under the regulations issued by Government. These regulations also determine the timetable for approval and publication. The authority is required to publish a statement which is in accordance with proper practice in relation to internal control.

In this year's statement, the mechanism for collecting information has been changed based upon the discussion at the Governance and Audit Committee in 2019. These changes have allowed greater focus on the key controls and a stronger discussion with Officers about maturity and development of governance. This approach to building the AGS means that, in places, the reader will see recognition of improvements that can and should be made. The changes also allow KCC to move towards a more dynamic assurance model. It has been necessary to reflect on the impact of Covid-19 on governance. The impact of the recent unprecedented times will be felt by many organisations and KCC has been required to make changes in the way governance processes operate in response to this.

Scope of responsibility

Kent County Council is responsible for ensuring that our services and operations are conducted in accordance with the law and proper standards. We have a specific responsibility to ensure that public money is used carefully and effectively and is properly accounted for. We also have a duty to continuously review and improve the way we work whilst offering services that are efficient and value for money.

What is governance?

Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest, and accountable manner. It comprises systems and processes, cultures and values by which the Council is directed and controlled. The Council has responsibility for conducting an annual review of the effectiveness of its governance framework, including the system of internal control.

The Code of Corporate Governance

Kent County Council's Code of Corporate Governance describes the principles applied by Kent County Council as the framework for good corporate governance, how we are achieving these, and the key policies and plans in place to support this. The Code is set out in KCC's Constitution and the six core underpinning principles are as follows:

- Principle 1 - Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a Vision for the local area.
- Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions
- Principle 3 - Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Principle 5 - Developing the capacity and capability of Members and Officers to be effective
- Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability

All Members have an important role to play acting on behalf of the Council and their residents. Officers serve the Council as a corporate body rather than any political group, combination of groups or individual member.

Kent County Council has a Code of Conduct that is adopted under Section 27 (12) of the Localism Act 2011. It is the responsibility of Members to comply with the provisions of this code and these provisions are set out in the authority's Constitution. The Monitoring Officer had already committed to further review the Code in 2020/21, which will now be informed by the new LGA Draft Code of Conduct issued in June 2020.

The Council's governance environment is consistent with the Code of Corporate Governance and the 2016 CIPFA guidance "Delivering Good Governance" framework. The Code of Corporate Governance is currently under review by the Head of Internal Audit, the Monitoring Officer and the independent Member of the Governance and Audit Committee.

KCC's Officers are required to adhere to the authority's Operating Standards which set out arrangements for the effective operation of the Council. The Standards bring essential management information together in one place, so all staff can carry out core management tasks effectively and consistently.

All staff are expected to live by three core values - the Kent Values. These values affect everything staff do with customers, partners and each other.

- Open - Acting with integrity, honesty and transparency; healthy attitude to risk; welcoming and expecting change and evolving technology; working in new ways; willing to learn; working as a whole-council and treating people fairly and with respect.
- Invite contribution and challenge - Working collaboratively and innovatively to find new solutions that put the interests and wellbeing of customers first; open to challenge and actively encouraging and expecting contribution.
- Accountable - Self-sufficient, taking personal and professional responsibility for our actions, the pace at which we work, performance and the council's money.

All employees are required to abide by the Kent Code (code of conduct), declare personal interests which may conflict with KCC's own interests and play their part in helping to eliminate discrimination by treating colleagues and customers with dignity and respect.

Members and Officers are expected to work together on a basis of mutual respect and trust. Members set the County Council's policy direction and Officers are responsible for implementing decisions taken and providing professional advice. KCC's Scheme of Delegation sets out the specific delegations allocated to Officers.

Kent Council Council's Committees are constituted of elected Members and are established to be advisory Committees of the Executive. Cabinet Committees consider the functions of the Council that are the responsibility of one or more Cabinet Members, together with related matters affecting Kent or its residents. The Council also has a number of other Committee's whose role is to scrutinise and oversee the actions and decisions of the Executive. The remit and membership of each Committee is set out on the County Council's website.

The County Council has appointed Statutory Officers namely the Head of Paid Service, the Monitoring Officer, the Section 151 Officer, Director of Adult Social Services, Director of Children's Services, and Director of Public Health and their functions are explained in KCC's Constitution.

Statement

How did we do?

Kent County Council continues to perform well and respond to increasing demand and financial challenges through its effective operation, political leadership, management, strategies and innovations. Whilst not wholly applicable to the period 2019/20, Covid-19 has presented significant response, recovery and financial challenges that the authority will continue to respond to. These have required Executive Members and Statutory Officers to intervene in order to protect the best interests of the residents of Kent and the statutory functions of the Council. The timing and prolonged nature of the Covid-19 crisis means that the authority must review several of KCC's existing approaches and strategies, including a recast of the 2020-21 budget. Governance is no different in this regard and will be a standing item for discussion at Selection and Member Services Committee.

Quarterly Performance Reports (QPR) are produced to inform Cabinet about key areas of performance for the authority and the direction of travel. At the end of Quarter 4 2019/20 it was reported that 23 of the 35 Key Performance Indicators achieved target (Green), 9 achieved and exceeded the floor standard however not the target to achieve Green (Amber). 3 KPIs did not meet the floor standard (Red). Whilst a positive direction of travel was seen throughout 2019/20, it is recognised that the impact of Covid-19 on 2020/21 reporting is likely to be significant and include

issues with the availability of data. It is anticipated that there will be a requirement to revise KPIs and the associated targets.

During the period 2019/20, '**Increasing Opportunities, Improving Outcomes**' was the authority's strategic statement which set out KCC's vision for a five-year period ending in 2020. The vision described how KCC seeks to improve lives by ensuring that every pound spent in Kent is used to deliver better outcomes for the county's residents, communities and businesses. **Annual Reports** were developed for each year during the period of the plan to illustrate progress and these are available on KCC's public facing website. The report for 2019 was presented to full Council and noted on 17th October 2019.

On 17th February 2020, the public consultation on a new five-year plan closed. The plan was brought together by working with and listening to our residents, young people, local businesses, the voluntary and community sector and staff. Engagement levels were excellent, and the valuable feedback received helped to evolve thinking further.

Unfortunately, because of the Covid-19 emergency the new proposed plan was not launched as the implications of the pandemic have identified a need to re-evaluate the strategy based on the new challenges and longer-term recovery considerations the authority now faces. KCC will have to issue a strategic position and vision that is reflective of the current circumstances. An Interim Strategic Plan is being developed for December 2020 and the roadmap to develop a new Five-Year Plan by 2021 was agreed at full Council in July 2020.

The authority's **Strategic Delivery Plan (SDP)** is a single business plan for KCC and sets out the wide ranging and significant activities we deliver. A monitoring process is in place and this information is considered by Cabinet Committees on a six-monthly basis. The Strategic Delivery Board, as part of the new informal governance arrangements, considers activities of importance and concern identified through the quarterly monitoring alongside activities where engagement is required pre-decision, for example on developing business cases or commissioning plans.

The Corporate Management Team (CMT) are collectively responsible for identifying management actions that should be taken to address any issues arising from the Strategic Delivery Plan monitoring process. CMT provide assurance to Cabinet Members through the Corporate Board forum. The Covid-19 crisis has seen the CMT work together even more closely than before using regular virtual meetings to deal with urgent and pressing issues and to jointly agree operational responses.

Cabinet Members and CMT have agreed that directorate business plans will no longer be produced as the Strategic Delivery Plan is in place. **Annual Operating Plans** are available for each of KCC's divisions and these are published on KCC's intranet site KNet.

In response to the recent impacts of Covid-19, a revised SDP for 2020/21 has been produced. Monitoring arrangements will continue on a proportionate basis which is reflective of the current situation and effectively tracks progress.

A new **Control Framework** for strategies and policies was launched this year. It sets out some simple principles for the management of our strategies and high-level policies. The Control Framework explains which types of document are in scope for inclusion on the **Strategy and Policy Register**. The framework has been agreed by the Corporate Management Team and is referenced within KCC's Constitution and Operating Standards. It is overseen by the Policy and Resources Cabinet Committee.

During 2019/20 a structural review of **KCC's Constitution** was undertaken, this was presented to and agreed by full Council on 17th October 2019. This review was initiated in response to the significantly changed operating environment and the strong view of Members that they would like a Constitution that is dynamic and capable of moving better with the organisation's changing needs. The Constitution is now more streamlined and accessible to the reader and user. Members have and will continue to be engaged in driving work forward to further evolve the Constitution.

In January 2020, members of the Governance & Audit Committee received a report from the General Counsel setting out work planned on a **review of corporate governance**. In addition to several planned activities, the report set out proposals to review the way in which information is gathered to build the Annual Governance Statement. This activity has been progressed and this year a systems-based process was used to collect key information from across directorates. This has proved to be a more streamlined and effective approach. Members of the Governance & Audit Committee have also received training on AGS considerations.

In January 2020, an Independent Member of the Governance & Audit Committee was appointed to support the objectives of the Committee. The Committee continues to ensure that the Council's financial affairs are properly and efficiently conducted and review assurance as to the adequacy of the risk management and governance framework and the associated control environment.

A **Corporate Risk Register** is in place and the Governance & Audit Committee receive this on a six-monthly basis for assurance purposes, Cabinet also receive this information. In January 2020, the Governance & Audit Committee undertook the annual review of **KCC's Risk Management and Policy Statement** and agreed this for the coming year. This has been followed up by a Risk workshop for Committee members in October 2020.

From a financial governance perspective, **Financial Regulations** are in place which set out the control framework for the five following key areas of activity:

- Financial Planning
- Financial Management
- Risk Management and Control of Resources
- Systems and Procedures
- External Arrangements

A **Financial Delegation Matrix** explains the finance approval process and associated approval limits. On 17th October 2019, full Council approved an updated matrix of approval limits as an amendment to the Constitution. Changes were made to align with new staffing structures and the responsibilities of Strategic Procurement and Commissioning.

The deliverability of the revenue budget, revenue savings and the Capital Programme is monitored closely. The resistance of pressures, management action taken, and the identification of new efficiency options continue to progress and be monitored as the financial climate and demand for services is still increasingly challenging. Regular revenue and capital financial monitoring reports are provided to Cabinet Committees and Cabinet; the outturn position is also provided. The annual budget is presented to County Council for approval, this is supported by an assurance statement from the statutory Section 151 Officer. The deferral by Government of the 2019 Spending Review and consequential lack of multi-year funding settlement led to the decision not to publish a detailed Medium-Term Financial plan for 2020/23 as part of the approval of the 2020/21 revenue budget.

For the 20th consecutive year the Council can demonstrate sound financial management, by containing revenue expenditure within the budgeted level (excluding schools). Learning will continue to be taken and an organisation-wide review of the Council's financial management using the CIPFA FM Model will be progressed in 2020/21. This review will help to ensure that the authority continues to maintain and improve its financial management practice and financial resilience and is equipped to respond to the financial pressures local authorities will be facing for the foreseeable future.

Kent County Council's **Scrutiny Committee** continues to investigate issues affecting the authority and Kent residents and makes recommendations to support the improvement of council services. New **Select Committees** were established in 2019/20, and topics included Knife Crime and Affordable Housing. Select Committees present progress updates, findings and recommendations to full Council. The Knife Crime Select Committee report was endorsed on 17th October 2019.

Full Council considered KCC's emerging relationship with the NHS **Integrated Care System (ICS)** this year given the potential proposals put forward to fundamentally change existing KCC social care budgets, policies and decision-making arrangements. The County Council agreed that KCC describes its relationship with the emerging Integrated Care System as being partners to the ICS supporting the vision and direction of travel and not partners in the ICS. It was also resolved that KCC is not bound to any system wide decisions made through STP/ICS Governance but continues to influence, support and align to the vision for the ICS where it makes sense for the County Council to do so. The signing of the ICS Memorandum of Understanding was delegated to the Leader in his role as Cabinet Member for Health Reform.

The **Kent Local Area SEND Written Statement of Action** was issued in 2019 in response to the joint Ofsted and Care Quality Commission inspection that took place between 28 January 2019 and 1 February 2019. The local area inspection focussed on the implementation of disability and special educational needs reforms as set out in the Children and Families Act 2014. The findings of the inspection were detailed in a letter which is available on the Ofsted website.

The Kent Local Area SEND Written Statement of Action explains the steps that are being taken to improve parental engagement and co-production, inclusive practice and outcomes, progress and attainment, the quality of EHCPs, joint commissioning, governance and service provision. Ofsted and the CQC confirmed in writing on 3rd September 2019 that the statement was fit for purpose in setting out how the local area will tackle the significant areas of weakness identified in the published report letter. It was noted by the inspection bodies that several improvements had been made to the statement including more direct links between the planned actions and outcomes for children and young people.

Many positive steps are being taken to address the areas of improvements identified by the inspection including the establishment of the Kent Parents and Carers Together group (PACT) for parents of children and young people with disabilities and additional needs to share their views and to have a voice.

New **Safeguarding Children's Multi-agency partnership arrangements** were established in 2019/20. The KSCMP is a new statutory body which replaces the former local Safeguarding Children Board which has ceased to exist. An agreed governance structure is in place and partner agencies are Kent County Council, the NHS and Kent Police. The partnership was put into effect on 17th September 2019 and County Council were provided with an update on the new arrangements at their meeting on 17th October 2019.

KCC's **EU to UK transition preparedness** was considered by full Council during 2019/20 and this remains a subject of high priority and focus for the authority. It is recognised that there will be significant resource implications associated with the management of the transitional activity at a local level and the Covid-19 response and recovery which will be operating in parallel. The Corporate Director of Growth, Environment and Transport is leading the operational preparations for the transition.

Alongside Kent County Council's formal governance arrangements, **informal governance arrangements** are also in place and established. The purpose of these is to bring Officers and elected Members together to consider the right activity at the right time, providing advice in advance of formal governance and decision making and assurance of delivery. The Strategic Delivery Board was established this year.

The Council has continued throughout the year to **engage and consult** with residents, listening to and drawing upon feedback to inform strategies and service developments. Consultation topics this year have included, but have not been exclusive to, proposed changes to our charging policy for Adult Social Care Services provided in a person's own home or in the community, the Domestic Abuse Strategy, the Kent and Medway Energy & Low Emissions Strategy and the Civil Society Strategy.

KCC has an established **complaints and compliments procedure** which helps to improve the services we provide to all customers. The County Council's public facing website provides the detail of how feedback can be provided to each service. There is a commitment to operating an effective customer feedback system, that demonstrates to the public that the authority:

- Puts customers at the heart of everything we do
- Listens to what residents have to say
- Is open, honest and transparent
- Is responsive and fair.

Customer feedback processes were reviewed by internal audit this year. The audit found that *'Internal control, governance and management of risk are sound overall. The arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively. And that there were 'very good' prospects for improvement'*.

At the time of writing this statement, the Annual Complaints, Comments and Compliments Report for 2019/20 has been produced and will be presented to the October Governance & Audit Committee for consideration. The report includes

statistics relating to customer feedback received by the Council and a sample of complaints considered by the Local Government and Social Care Ombudsman.

In response to the Covid-19 emergency, the members of the Corporate Management Team agreed a temporary Complaints Policy which was published on the County Council's website.

Kent County Council continues to place a significant emphasis on **cyber security**. In May 2019, the Strategic and Corporate Services Directorate Management Team received a report setting out the detail of a maturity assessment. Whilst there are no mitigations that are completely effective against cyber-attack, KCC has developed a cyber security framework for the organisation. Multiple controls are in place as part of the network security regime. These controls are audited by a combination of Public Service Network Code of Connection certification (PSN CoCo), internal audit assessments and external auditing assessment.

To provide an independent assessment of the Council's position, a review of KCC's cyber resilience was commissioned from the National Computing Centre Group (NCCG). The NCCG review concluded that whilst KCC has an overall good level of maturity, there are several areas where the authority's approach could be further strengthened. An internal action plan has been developed to address issues raised, this is owned by the Director of Infrastructure.

Unfortunately, criminals appear to be targeting the systems of organisations during the pandemic and one of KCC's wholly owned companies has already fallen victim to a cyber attack, learning is being taken and reported to the Shareholder Board. Measures will continue to be adopted to ensure that systems are secure and resilient. The risk level attributed to cyber security has also been raised in KCC's Corporate Risk Register in recognition of the significant reliance on IT in the current climate, the increasing prevalence of cyber-attacks on organisations and increased remote working.

The Council manages investments in the wholly owned trading companies through a Shareholder Board with a range of governance documents managing the controls including reserved matters. In addition, the shareholder receives relevant audits from the companies with the ability to further review as necessary. As part of actions from the 2019 AGS, this year the Holding Company has carried out an AGS process of their own which will be assured by the Head of Internal Audit.

Whilst many positive steps were taken in 2019/20 to improve and streamline the authority's governance processes, it is important not to lose sight of the requirement to evolve and adapt further to respond to the numerous challenges that Covid-19 has and will continue to present. Decision processes and the ways in which KCC's Committee meetings are conducted have already been adapted to reflect the

impracticalities of holding physical meetings at the current time. Members and Officers have responded exceptionally well to the new approach and opportunities to harness new technologies and continue to innovate in this unexpectedly changed operating environment will be sought.

Members and Officers will work together to ensure that KCC's governance arrangements continue to be fit for purpose and support the effective provision of services to Kent's residents. Evolving Government policies, guidance and the central response to the national funding situation will continue to impact the way KCC operates and governs its services moving forward.

The financial implications of Covid-19 are extremely significant and in the 2018/19 AGS specific reflections were made about the existing local government financing position and the requirement to find significant savings in future years. Pressures associated with areas such as asylum remain and continue to increase. The asylum situation in Kent and KCC's position has been widely publicised recently.

The Secretary of State approved Kent County Council's request to transfer 1% from the Schools block of funding to the High Needs block of funding. This transfer of funding has meant that Kent County Council can support greater inclusion of children and young people with Education Health and Care Plans (EHCPs) into mainstream schools.

In the 2018/19 Annual Governance Statement, specific regard was given to capital constraints associated with the delivery of new school placements. Because of Covid-19 it has been necessary to quickly undertake an assessment of the impact on the capital programme with schools, stakeholders and contractors. The review identified over 30 capital projects, which are at risk due to contractors having stopped work or reported delays due reduced labour and material supply issues. To ensure that KCC can continue to support the supply chain and meet the authority's statutory obligation to deliver school places for September 2020 a key decision was taken to approve additional contractor funding for projects that already have a key decision or delegated authority in place.

The financial challenge is being worked through using several high-level scenarios so the implications on the budgets for 2020/21 and 2021/22 can be understood and actions subsequently taken. The size of the challenge the authority faces will be dependent on the level of further Government funding that comes forward and may need to include the use of reserves.

Kent County Council will continue to deliver better outcomes for Kent's residents, communities and businesses in these very difficult circumstances whilst reviewing

and revisiting some of the underpinning strategy direction that has been impacted by Covid-19.

Audit Review of AGS Process

The Head of Internal Audit has reviewed the amended AGS process and audited the responses, determining that the process is adequate.

Review of effectiveness

Kent County Council has a responsibility to review the effectiveness of its governance. This review has been co-ordinated by the General Counsel and the Governance, Democracy and Law division and has involved Directors collating, reviewing and evidencing compliance. There has also been a requirement for directorates to identify any new governance improvements required within their services and to provide updates on matters highlighted in 2018/19. Issues identified by Audit were also considered for inclusion in this statement.

Learning has been taken about the requirement to refine AGS information collation processes and this year technology has been used to support the gathering of data.

Set out below are a range of key findings and identified actions to manage the issues identified. Signature of the statement below is predicated on the basis that the identified actions are discharged within the coming year.

Key Findings

- All directorates have confirmed that their services and staff are compliant with the KCC Operating Standards.
- The new approach to gathering information has provided an opportunity for Officers to comment on the maturity of the governance within their services. Accountable Officers have been able to set out their improvement plans which means that the assessment of governance can be taken cognisant of planned activity and improvements.
- Services have self-assessed with scores ranging between 7/10 and 9/10. These assessments will be reviewed by Internal Audit against known governance issues, risk registers and audit activity to support improvement plans.
- The implementation of the new approach to data capture means that governance issues can now be tracked in real time and reported to the Governance and Audit Committee. This means that the process of reviewing

governance can continue throughout the year rather than waiting for the annual review – thereby improving accountability for improvements.

- Officers have confirmed that they have the necessary resources and delegations in place to meet their constitutional, governance and legal obligations. Internal Audit will test the efficacy of these through the audit process.
- Further improvements and training are required around decision-making (particularly relating to two-stage decisions) to ensure that key and significant decisions are taken and published in accordance with the Constitution.
- Members are concerned about the number of decisions taken under delegation by Officers and the lack of recording and reporting of these.
- There have been occasions where the roles of Officers and Members have not remained clearly defined or as set out in the constitution.
- There are increasing levels of additional governance that have been put in place within individual directorates for operational reasons and in some circumstances, this can risk undermining statutory and constitutional controls.
- There has been a significant increase in the number of urgent decisions and decisions where the time on the FED was reduced. Whilst many of these have been as a result of Covid-19, this has not always been the case.
- Significant assurance has been provided in relation to the importance placed on governance controls by individual directorates and their accountable senior Officers.
- At the time of this document being prepared in draft, there was an even greater need to listen and understand issues of equality, prejudice and discrimination. It is rightly important that the organisation pauses, listens and reflects on these issues. In relation to this statement, the appendix that will be added on final signature will specifically consider these issues from a governance perspective when a more careful and considered view is possible having listened to staff groups and others.

Identified Actions

- **Liaison with Internal Audit on review of self-assessment and improvement plans.**
- **Refreshed programme of training for Officers and Members on decision-making.**
- **Review of formal governance to increase controls at FED and Decision stages to ensure mandatory compliance with governance.**
- **Creation of mechanism for recording Officer decisions taken under delegation for scrutiny by Members.**
- **Review of Directorate delegations reporting to Governance and Audit Committee.**

- **Further revisions to the constitution and operating standards.**
- **Review of Company Governance and Audit Arrangements**
- **Introduction of dynamic review of outstanding governance issues to report quarterly to Governance and Audit Committee.**

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

Kent County Council is a Member led authority and the roles and responsibilities of elected Members and Officers and the processes that govern the conduct of the Council's business are defined in the Constitution, Contract and Tenders Standing Orders, and Financial Regulations. The Monitoring Officer and Section 151 Officer respectively are responsible for reviewing and updating these as required.

A structural revision was made to the Constitution this year. Whilst it was noted by Members that the Constitution was legally sound, it was recommended that it would be beneficial to have a document that is dynamic and capable of moving better with the organisation's changing needs. It was also necessary to accurately reflect the Council's operating model. For these reasons, a revised version of the Constitution was presented to and endorsed by full Council in October 2019. Work with Members continues to further evolve the Constitution.

There is a clear expectation that all Members and Officers apply high ethical values and standards of behaviour. Codes of Conduct are in place to ensure that public duties are undertaken fairly and in line with the authority's statutory obligations. Members and Officers are required to declare any potential conflicts of interests and the information for County Councillors and Senior Officers is published on Kent.gov.

KCC's Standards Committee has several responsibilities as set out in the Localism Act 2011 including the promotion and maintenance of high standards of conduct by Members and Co-opted Members of the County Council. The Monitoring Officer delivers a summary of Member complaints received, the advice of the Independent Person engaged and the complaint outcome to the Committee. A Standards Committee Hearing Panel is in place.

The Kent Code sets out the expectations for the conduct of all employees. A staff disciplinary procedure is in place with the primary purpose of improving and maintaining acceptable standards of conduct and behaviour. Serious disciplinary issues associated with staff conduct generate formal investigations and hearings to consider the facts around an allegation.

Kent County Council has an identified set of core values and these are incorporated in staff recruitment and performance management activities.

KCC has an Anti-Fraud and Corruption Strategy and the authority openly welcomes reports from the public, staff and Members of instances of actual, attempted and suspected fraud that pose a threat to resources. Reports made are investigated and fraud prevention data is publicly available on the County Council's website.

The County Council has a Whistleblowing Policy in place and named contacts in directorates are identified.

KCC's Monitoring Officer is responsible for ensuring that all relevant statutes and regulations are complied with and agreed procedures followed. Advice continues to be provided to both Members and Officers and channels to raise any concerns about integrity or governance remain open.

The Governance & Audit Committee considers both internal and external audit activity as well as updates, reports, and advice from the Section 151 Officer, the Monitoring Officer and the Head of Internal Audit.

Principle B - Ensuring openness and comprehensive stakeholder engagement

Council meetings are held in public and webcast unless there are reasons for not doing so in line with the relevant statutory provisions. Frequently representatives from the media attend KCC's public meetings.

A back catalogue of Committee meeting webcasts is held on Kent.gov and all papers, except for exempt items, are also publicly available alongside the minutes from each meeting. This system enables the public to watch live coverage of meetings and review the detail of forthcoming items or items previously considered. Forward programmes of work are also made available for each Cabinet Committee.

It is a requirement that Pre Records of Decisions are published before key decisions are considered by Cabinet Committees then subsequently taken by the Executive. This provides transparency of the planned decision so Members can comment on recommendations made.

KCC has paper petition and e-petition systems in place. Anyone who lives, works or studies in Kent County Council's area can submit or sign a petition. Thresholds are in place and if a petition has at least 1,000 signatures it will be debated at the most appropriate local meeting. Petitions receiving 2,500 and 9,999 signatures are

considered by the relevant Cabinet Committees. Those receiving 10,000 signatures or more are considered by the County Council. The detail of petitions received are available on Kent.gov.

Kent County Council is increasingly using a variety of social media channels to engage with the county's residents. As an example, the authority has its own Twitter page on which the latest campaigns, news and engagement opportunities are promoted.

An easily accessible consultation portal is in place and members of the public and other stakeholders are invited to provide feedback on consultations relating to a wide range of service and strategy proposals. Opportunities to hold resident engagement events are frequently sought and this forum was used to inform the 2020/21 budget setting process.

Easy read documents are available to ensure that key information is accessible. Alternative formats of information can also be supplied.

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

Outcome 2 of Kent County Council's current Strategic Statement 'Increasing Opportunities, Improving Outcomes' is 'we want Kent communities to benefit from economic growth by being in-work, healthy and enjoying a good quality of life'. The Strategic Statement Annual Report for 2019 sets out achievements against this outcome and the performance direction of travel. The report highlights many activities undertaken including vital infrastructure improvements, the facilitation of commercial development, broadband delivery progress and the promotion of adult learning.

The Kent and Medway Growth and Infrastructure Framework (GIF) provides a county-wide picture of growth and infrastructure and indicates the extent of the infrastructure challenge. It continues to be used to provide a robust evidence base as part of the "infrastructure first proposition" - to attract investment, engage partners and inform solutions to unlock housing growth. The framework gives specific regard to transport, education, health and social care, community and culture, utilities and the natural environment.

The Kent and Medway Energy and Low Emissions Strategy (ELES) has been developed as a sub strategy of the Kent Environment Strategy. The purpose of the ELES is to identify an evidence-based approach to deliver clean growth. This includes strategies and actions to reduce carbon emissions, eliminate poor air quality, reduce fuel poverty and deliver an affordable, clean and secure energy

supply. A public consultation exercise was undertaken in 2019 to inform the ELES. The strategy sets out the vision that by 2050 the county of Kent has reduced emissions to Net-Zero and is benefiting from a competitive, innovative and resilient low carbon economy, where no deaths are associated with poor air quality. The four key strategy aims are evidence, policy and strategy, leadership and action.

The Social Isolation and Loneliness Select Committee developed an Action Plan with the purpose of ensuring that services and support are in place for residents of all ages who may be isolated. The Loneliness and Social Isolation Action Plan supports the Government Strategy 'A connected society: a strategy for tackling loneliness – laying the foundations for change'. Kent County Council also progressed its plans to refresh the VCS policy and consult on a new Civil Society strategy for Kent in 2019/20.

A clear process is in place to monitor performance across Kent County Council. Performance monitoring reports are considered within directorates, by the Corporate Management Team, Cabinet Committees, Cabinet and subsequently at meetings of relevance.

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes

All decision makers are presented with an objective analysis of a variety of options indicating how intended outcomes could be achieved together alongside the detail of any associated risks.

The Council has created a range of informal governance mechanisms, this is an important part of the effective management of the council and supports Officers and Elected Members in decision making, policy and budget development. The new Strategic Delivery Board provides advice to ensure the development of high-quality proposals, effective strategic alignment and financial management, and provides assurance on the delivery of Strategic Delivery Plan activities.

Clear guidance and protocols for decision making and the involvement of legal and financial Officers in significant decisions ensures that they are only made after the relevant options and associated risks have been assessed. Rules are also in place and monitored in relation to the signing and sealing of contracts and agreements.

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

The development of the organisation's capacity and capability continues to be a significant and important area of focus. Covid-19 has presented many new and complex challenges associated with the organisation's capacity to manage demand and deliver services in a different way. Programmes of support and development continue to be extended to both Members and Officers and bespoke offers have been put in place in recognition of the implications of Covid-19. Up to date Business Continuity Plans have also been essential in sustaining service provision and the deployment of staff during the emergency period to ensure there is the right resource capacity in the right places.

The Corporate Management Team consists of the Corporate Directors who represent KCC's directorates and is led by the Head of Paid Service. The team are collectively responsible for:

- the managerial leadership and direction of the council
- the formal response to Cabinet policy direction
- council-wide policy and initiatives for Cabinet consideration
- co-ordination and commissioning of council-wide activity, planning, programme management.

Kent County Council has a People Strategy in place for the period 2017-2022 which sets out the intention to make the most of our staff and their talents. The strategy is built on the six key principles of business and outcomes focus, flexibility, building capacity, leadership, innovation and collaboration. It is important that the strategy continues to evolve in response to the impact of Covid-19 on the operational environment. A Corporate Management Team led review of KCC's Organisation Design Principles is currently underway.

KCC has an established Organisation Development Plan which explains how workforce capacity and capability will be improved to deliver transformation and service change. Organisation development is led by the Organisation Development function in partnership with directorate OD Groups and line managers. OD Groups and managers are responsible for implementing interventions which sustain change and improve organisation performance.

A Total Contribution Performance Assessment process is in place for staff. Managers are required to discuss expectations, objectives, performance and development with staff members as part of the regular conversations that take place throughout the year to inform the annual assessment. Toolkits are in place to support both managers and employees to manage conversations well.

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

The authority has a Risk Management Policy and Strategy which sets out the detail of how risks are managed when they occur. Risks are managed throughout all levels of the organisation and a risk register hierarchy is in place to enable effective escalation. Guidance and toolkits are available to support the identification and management of risks, while accountable risk owners are also allocated. Risk management is embedded into the Council's activities and decision-making and regular reports are provided to Committees, Cabinet, the Corporate Management Team and directorates. The Corporate Risk Register is published on KCC's website and is regularly reviewed.

Because of Covid-19 a review has been undertaken to identify the impact on the authority's risk profile; the Corporate Risk Register has been revised accordingly. It is important to note that the level of risk exposure for KCC has increased due to Covid-19 and acceptable target risk levels for each risk have been put in place and will be monitored. The impacts of Covid-19 on the Corporate Risk Register were presented to the Governance & Audit Committee on 21st July 2020.

This year the County Council's Risk Management arrangements received a 'Substantial' Internal Audit assurance opinion, positively demonstrating the robust nature, organisational awareness and application of processes in place.

KCC's Corporate Director of Finance is the statutory Section 151 Officer and has responsibility for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.

Financial Regulations set out the Council's financial governance and virement procedures.

The current Budget Book which was presented to County Council in February 2020, concluded that *'the Council has an increased risk profile since the 2019-20 budget was approved, and on a like-for-like basis the Council will have a similar level of earmarked reserves available during the year. This means the Council is marginally less resilient than before, but this is not a cause for concern at this stage. Whilst no immediate action is required, the Council's resilience will continue to be monitored and the trend will need to be reversed as much as possible in the medium term'*. However, the unexpected impact of Covid-19 has significantly impacted the current budgetary position and an overview of these impacts was presented to the Scrutiny Committee.

Whilst the authority has responded well, current uncertainties have presented new challenges in respect of financial planning. Government grant monies have been received but it is recognised that the financial situation for the Council is

unprecedented and challenging. Concerns have been articulated to MHCLG directly by the Council and through Kent Leaders, the Kent Finance Officers' Group, the County Council's Network and the Society of County Treasurers. Cabinet received a report on 22nd June 2020 setting out high level financial planning scenarios alongside the associated budgetary impacts. In September 2020 County Council have also considered the actions that were required to recast the 2020/21 revenue budget in response to the significant financial impact of Covid-19. The Corporate Risk Register will be revised to reflect the increased risk level attributed to the Medium Term Financial and Operating environment and key mitigations will be identified.

Across the organisation, the costs associated with the Covid-19 response are captured by budget managers in the Council's financial forecasting tool Collaborative Planning and cost estimates have been supplied to MHCLG. Kent County Council will continue to plan for multiple scenarios.

Revenue and Capital Budget Monitoring reports are presented to the Cabinet on a regular basis for control purposes, this includes the annual outturn and the detail of any proposed roll forwards. Members can consider any element of budget monitoring through the relevant Cabinet Committee to ensure performance and risks are managed effectively.

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

The Head of Internal Audit has undertaken a programme of reviews around governance arrangements, internal control and risk management arrangements at the Council. Overall, an opinion was provided that **adequate** assurance could be provided in respect of 2019-20 as detailed in the Annual Internal Audit Report which readers are also referred to. Whilst this report details the outcomes, actions and issues from audits insofar as they affect governance the Annual Internal Audit Report provides detail on the full range of audit activity including the limited assurance and no assurance findings.

The Head of Internal Audit provides an independent and objective annual opinion on the effectiveness of internal control, risk management, and governance. Quarterly reports on Internal Audit and Counter Fraud activity are presented to the Governance & Audit Committee on a quarterly basis for consideration. The Committee also approves the annual programme of work. External Audit updates and Audit Plans are also received from the authority's external auditor, Grant Thornton.

As mentioned earlier in this statement, an Independent Member was appointed to the Governance and Audit Committee this year. This appointment responded to CIPFA's Position Statement on Audit Committees which recommended as a matter of good practice that authorities consider the appointment of an Independent Member. In a report to the Governance and Audit Committee on 24th April 2019 it was noted that the advantages of having an Independent Member on the Committee are greater levels of apolitical independence and the bridging of certain skills gaps and expertise.

The services provided by the Internal Audit and Counter Fraud Team conform to the Public Sector Internal Audit Standards (PSIAS) 2017.

Kent County Council has established a holding company (Kent Holdco Ltd) to control and manage investments on a commercial basis. The Council exercises its interest in Kent Holdco Ltd through reserved matters and the activities of the Shareholder Board. KCC Non-Executive Directors and Independent Non-Executive Directors are appointed to the Kent HoldCo Ltd Company Board.

The Governance and Audit Committee receive and review the annual statutory financial accounts of the KCC limited companies and financial statements for other trading vehicles; corrective action is considered where appropriate. Kent County Council's wholly owned companies are required to produce an Annual Governance Statement which is reported on a consolidated basis by Kent HoldCo to the Shareholder Board.

Annual Governance Statement 2019/20 Conclusion

It is recognised that the authority must continue to adapt and refine its governance processes to respond to the new and significant challenges posed by Covid-19. The reality is that these challenges will be current for some time and whilst much rapid work has already been undertaken to develop solutions and innovate, the authority must further evolve so quality and fit for purpose services that offer value for money can continue to be delivered to the people of Kent. It is also essential that statutory obligations continue to be maintained.

The financial challenge presented to the authority is notable, and whilst planning will take place there are currently several uncertainties about the quantum of any additional central funding that may come forward as well as the long-term funding arrangements for local authorities.

We will continue to take learning from areas where performance can be improved and will regularly review the authority's risk profile to ensure that it is reflective of current circumstances. Robust controls will remain in place and Internal Audit activity

will be particularly important in identifying areas of both strength and improvement. The oversight of the Governance and Audit Committee will continue to be key in terms of ensuring that the financial affairs of the authority are properly and efficiently conducted and that assurances can be given about the adequacy of the risk management and governance framework during this difficult time.

The collective effort of Members and Officers is valued in terms of adapting our governance and decision-making processes to reflect the challenges presented by Covid-19. The authority has embraced new technologies and ways of doing things and it is hoped that this positive momentum of innovation can continue.

We will, over the coming year, take appropriate action to address all matters raised in this Annual Governance Statement. We are satisfied that these steps will address the need for improvements that were identified in the effectiveness review and will monitor their implementation and operation as part of our next annual review.

The Corporate Director for People and Communications has confirmed to the Head of Paid Service that there were sufficient staffing resources available in 2019/20 for the Authority to discharge its responsibilities. Confirmation has also been received that during 2019/20 none of the Statutory Officers reported any issues to the Corporate Director for People and Communications which prevented them fulfilling their statutory roles and responsibilities. At the time of finalising this statement it is though important to note that the Director of Children's Services reported to the General Counsel on 17th August 2020 that he no longer felt able to safely discharge the Section 20 Duty to receive children into KCC's care at the port of Dover. This significant step was taken in response to the overwhelming demand caused by the high number of Unaccompanied Asylum Seeking Children arriving in Kent. It was not as a result of a lack of staff resources or workforce planning which were both entirely suitable for the normal and expected level of demand in Children's Services. The report required under Section 5 of the Local Government and Housing Act 1989 was provided to full Council on 10th September 2020.

The Monitoring Officer can confirm for the financial year ending March 2020 that save for the issues previously reported to Members of the Governance and Audit Committee, the County Council and through the annual complaints report, there is no known unlawfulness or maladministration. At the time of signing, it is further confirmed that all executive decisions have been taken as required by the Council's Constitution to the best of the Monitoring Officer's knowledge. However, during the period 1 April 2019 to 31 March 2020, he was required to intervene and seek remedial actions from Officers where decisions were at risk of not being taken lawfully, reasonably and proportionately. These were procedural failures which have now been remedied.

Through his signature, he also agrees to take forward the identified actions as set out on pages 13 and 14 of this statement and the identified actions that are set out at Appendix 1 to the Annual Governance Statement which details the activity since the draft Annual Governance Statement was published.

The Section 151 Officer provided assurance to the County Council that the budget proposed and approved for 2020-21 by the County Council on 20th February 2020 was based on robust estimates and allowed for an adequate level of reserves to cover foreseeable eventualities and general reserve for the unforeseeable risks. It is important to note that the Council's budget was agreed before the Covid-19 crisis and work has therefore been undertaken to recast the budget in line with the new unanticipated funding challenges that have been presented.

The Section 151 Officer can further assure the Council that she is satisfied that financial transactions and financial activity on behalf of the Council or where the Council manages activity on behalf of others were handled, processed and recorded in the correct manner during the period 1 April 2019 to 31 March 2020. The Section 151 Officer is content that she has the necessary structures and staffing in place to provide this assurance with confidence.

The Head of Paid Service signs this statement having received the assurances of all the accountable Corporate Directors and Directors for Strategic and Corporate Services through this AGS process and on the basis that the identified actions contained within this document and the appendix will be taken forward and completed by the Monitoring Officer.

The Head of Paid Service can confirm that he has complied with his constitutional duties in relation to the Operating Standards and that he has received assurance from all relevant Corporate Directors and Directors that they and their services are compliant.

Signatories

Ben Watts
Monitoring Officer

Zena Cooke
Section 151 Officer

Roger Gough
Leader

David Cockburn
Head of Paid Service

On behalf of Kent County Council – signed on (date to be inserted after
consideration by the Governance and Audit Committee)

DRAFT

Appendix 1

Since the time of writing the draft Annual Governance Statement, the Council has continued to deal with unprecedented operational pressures, in part caused by the COVID19 pandemic. As such, amendments to the Annual Governance Statement, published in draft earlier this year have been necessary.

Because of the nature and implications of the Covid-19 pandemic it is important that there is a continued emphasis on staff wellbeing, health and workforce planning. Whilst the organisation has faced unprecedented challenges teams have continued to demonstrate resiliency, agility and significant commitment to those who use KCC's services. Staff views will continue to be listened to, to understand how individuals are feeling and to inform future ways of working and change. There is also an accelerated programme of skills development for staff and managers as a result of the different way of working and managing necessitated by the pandemic.

The Corporate Management Team have been reviewing KCC's Organisation Design Principles to respond to the authority's strategic aims for recovery, strategic aims for the medium term and the service ambitions of directorates. KCC's People Strategy is also being reviewed and accelerated to reflect the new challenges and opportunities presented to the organisation and the new strategic reset context.

Work continues in addressing the issues raised by Internal Audit in their audit of the way in which the Superannuation Committee and associated decision making operates in light of investment decisions during 2019/20. Some initial changes have been made to bring the Committee in line with the administration of other Committees but further work is being done to implement the learning from the audit and the agreed actions with external advice underpinning the changes that will be concluded in the coming months.

From a governance perspective, this is particularly important and will be used alongside the identified actions in this AGS to address areas of change that are required and to identify the necessary skills, development and behaviours.

Key Findings

Since the draft statement was published, the following additional key findings are made:

- The Director of Children's Services reported to the General Counsel on 17th August 2020 that he no longer felt able to safely discharge the Section 20 Duty to receive children into KCC's care at the port of Dover. This has been subject to a section 5 report by the Monitoring Officer regarding unlawfulness which is attached at Appendix 2.
- Members and Officers have responded strongly and the Council's systems and business continuity plans have stood up well. That said, the new working arrangements and operating environment have placed pressure on the

existing governance framework through the overnight delivery of transformational change to the Council's operating model. Whilst appreciating the unique and unprecedented challenges, this pressure is demonstrated in the number of urgent decisions and increased activity for officers in Governance, Law and Democracy.

- The overnight change in working patterns and methods caused by the pandemic means that the Council now needs to implement discrete digital governance arrangements.
- The Government announced that they will publish a White Paper on devolution and recovery albeit this was delayed shortly before publication of this statement. At the time of writing the Annual Government Statement, the direction of travel which Government may recommend is unclear, but Kent County Council must be prepared to respond. The Secretary of State for Housing, Communities and Local Government has stated that he wants the view of local authorities to be at the heart of Government's ideas.
- Information Governance issues and data breaches by external providers have increased during the pandemic in scale and quantity if not materiality.
- The Council now faces additional and significant financial pressures as a result of the pandemic and associated strain on income, council tax receipts and increased demand.

Identified Actions

In addition to the issues listed in the main statement, the following further actions have been identified

- Dependent on the outputs of the White Paper there may be some fundamental governance considerations for the authority to review. It will be essential that the right linkages are made between the national direction and Kent County Council's own Strategic Reset Programme.
- For the General Counsel and the SIRO to review the organisation's use of technology and develop detailed digital governance.
- Formal advice note from the General Counsel to Cabinet Members and Extended Corporate Management Team around executive decision-making.