
By: John Simmonds, Cabinet Member for Finance & Procurement
Andy Wood, Acting Corporate Director of Finance and Procurement
David Tonks, Head of Audit and Risk

To: Cabinet– 20th June 2011

Subject: Approval of the Annual Governance Statement

Classification: Unrestricted

Summary

The Annual Governance Statement, presented here for approval, explains how the Council has complied with its Code of Corporate Governance and identifies any gaps in control or significant weaknesses that have arisen in year. The completed statement is included within the Council's Annual Accounts that are subject to external audit.

The statement is required by regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The 2010/2011 Statement

1. (1) A draft statement is attached at annex 1, which has been prepared in line with the requirements of CIPFA's *Application Note to Delivering Good Governance in Local Government*. The format of the Statement has been changed from last year's, so that the description of the governance framework follows the headings of our Code of Corporate Governance, as well as including the required sections set out in the application note.
- (2) The annual review of effectiveness has been co-ordinated by Internal Audit and supported by evidence from:
 - Reports to Cabinet / Council / POSC.
 - A review of the work of the main Committees of the Council.
 - Signed statements on Internal Controls, Governance and Risk Management Processes and supporting evidence.
 - The output of Internal Audit.
 - The output of External Audit and Other regulators.

- Cumulative knowledge of the Council.

Outcome of the annual review of effectiveness

2. (1) There were two identified failures of the Governance framework during 2010/11; one in Children's Social Services and one in the Enterprise and Environment Directorate. These are disclosed within the Annual Governance Statement in the appropriate sections. The review also identified a number of areas for improvement that whilst not actual failures of Governance could be disclosed. These have been considered and deemed not significant in the context of the Council-wide control environment.
- (2) The statement also includes disclosure of compliance against the CIPFA statements on the Role of the Chief Finance Officer and the Role of the Head of Internal Audit in Local Government. Both these statements intend that the Council publishes its level of compliance, and explains how its own arrangements meet the intent of the code where there is non-compliance. As with the improvement areas identified by the directorates, it is considered that no disclosure is required for the areas of non-compliance in the Annual Governance Statement.

Future role of the Annual Governance Statement

3. (1) The compilation of the statement and review of the effectiveness of the governance framework was largely performed and co-ordinated by the Head of Audit and Risk. This activity is precluded by the CIPFA statement on the Role of the Head of Internal Audit in Local Government, and it has been agreed by CMT that the responsibility for the AGS be passed over to the Director of Governance and Law for 2011/12.
- (2) CMT also agreed that as part of the Council's aim to strengthen governance, in the future the AGS will be used as one of KCC's primary statements of integrity, reflecting how well KCC is managed and governed. The style will be frank, covering all difficult issues in an open manner and really clarifying any governance issues arising in year. The statement will also become a more dynamic document, revisited in year, audited, and used to really drive improvements.

Consultation and Communication

4. The statement has been reviewed and amended by CMT. After approval by Cabinet the final draft statement will be approved by the Governance and Audit Committee as part of the Annual Accounts.

Risk and Business Continuity Management

5. Failure to produce an Annual Governance Statement would result in adverse comment or a qualified opinion from the External Auditors. Producing a governance statement that is inaccurate or misleading would also attract adverse comment.

Conclusion

6. The Annual Governance Statement is made on behalf of the Council, and developed and owned by the most senior levels of the organisation, i.e. CMT and Cabinet. The Statement is a key aspect of the Council's accountability to its stakeholders and should fully disclose the proper extent of effective governance in the Council.

Background Documents

7. None

Recommendations

8. Cabinet are asked to:

(1) Review and agree the overall wording of the Annual Governance Statement, including the description of the Governance Framework and the significant weaknesses disclosed.

(2) Agree that the statement can be approved by the Leader on behalf of the Council.

David Tonks
Head of Audit and Risk
Ext 4614

Annual Governance Statement



Scope of Responsibility

Kent County Council (“the 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. The 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.

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

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The code is contained within the Council's constitution, a copy of which is available on our website, or can be obtained from the Director of Governance and Law.

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes for the direction and control of the Council 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.

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 the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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

The Governance Framework

The key elements of the systems and processes that comprise the Council's governance arrangements are described below:

The Council's vision of its purpose.

Good governance means focusing on the organisation's purpose and on outcomes for citizens and service users.

Fundamental to the success of the Council is engagement with citizens and service users in the development of the Council's vision, priorities and intended outcomes. *Vision for Kent*, launched in 2006, is the county wide Sustainable Community Strategy. It was agreed by the Local Strategic Partnership (the Kent Partnership) and was developed in consultation with over 40 partners, including district councils, health, police, voluntary and community sector and local businesses.

In support of the delivery of a *Vision for Kent* was the Council's four year plan *Towards 2010*. This document set out 63 targets requiring cross-directorate and partnership working aimed to achieve an improvement in the quality of life for Kent's residents.

Vision for Kent comprises eight themes, each with its own vision and monitored through a number of targets which links the vision to corporate and directorate plans and strategies, including the Local Area Agreement, Kent Agreement 2 (KA2). Kent Agreement 2, for the period April 2008 to March 2011, was agreed between the Kent Partnership (with KCC acting as the Responsible Authority) and Government in 2008 and comprised 35 targets selected from Government's National Indicator Set. Six monthly progress reports on each of these targets have been brought to the Kent Public Service Board so that management action can be taken to ensure targets are met.

In October 2010 the Secretary of State for Communities and Local Government wrote to all authorities revoking all designations of targets in Local Area Agreements along with the associated performance reward grant. In response the Kent Public Service Board, on behalf of the Kent Partnership, reviewed all 35 targets in KA2 and determined that 12 of them were fundamentally important and were supported by robust and meaningful measures and should therefore continue to be monitored. Performance management of these 12 targets continues and a final report will on them will be considered at Joint Kent Chiefs in July 2011.

With all of the changes to the political, administrative and financial context the 2006 version of the *Vision for Kent* has looked increasingly dated. In the later half of 2010 work to refresh the Vision commenced. After significant consultation across partner bodies three countywide ambitions have been agreed. These will bind together partners across Kent to identify and focus on priorities. These three ambitions are the same as those in *Bold Steps for Kent* (see below).

The recent changes to the context also indicated that the previous partnership arrangements were dated. Consequently changes have been made to the strategic level partnerships in Kent. The county level Local Strategic Partnership (the Kent Partnership) has been dissolved and replaced by the Kent Forum. The Kent Forum is the high-level strategic group bringing together the family of local government in Kent. It was formed in 2010 following the development of the Kent Recommitment between Kent's 13 District and County councils. It comprises the democratic leaders of Kent's local authorities and has overall responsibility for co-ordinating and agreeing shared priorities and progress, encouraging community leadership and supporting new initiatives. The Kent Forum is chaired by the Leader of the Council. These responsibilities include overseeing Kent's Sustainable Community Strategy (*Vision for Kent*) and supporting the development of Locality Boards across the county. The creation of Locality Boards emphasises a new way for County and District Councils to work together. Locality Boards aim to inject much more democratic accountability into locality partnerships and stimulate effective joint working by local partners to deliver locality and county priorities.

Following public and partner consultation in October – November 2010, our new medium term plan, *Bold Steps for Kent*, was approved by County Council on 16 December 2010 and sets out our ambitions over the next four years, centred on three core priorities. These are:

- To help the Kent economy to grow.
- To put the citizen in control.
- To tackle disadvantage.

Bold Steps for Kent not only sets out our ambitions and priorities for the next four years, but also our determination to transform how Kent County Council works and engages with the communities it serves and our partners in the public, private and voluntary sector, in order to continue to deliver high quality services in what is expected to be a tight financial settlement over the medium to long term as the Government seek to reduce the structural deficit. At the heart of *Bold Steps for Kent* is an ambition to see a greater variety of providers from the public, private and the social and voluntary sector play an increasing role in service delivery for the County Council. Over the course of Summer 2011, the Council will finalise the delivery framework for *Bold Steps for Kent* and report progress on this annually.

Engaging with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

Good governance means engaging stakeholders and making accountability real.

All service plans declare what consultation, communication and marketing activity is to be done in order that this activity can be better planned, costed and corporately co-ordinated as a major campaign if appropriate

In 2010/11 the Council has provided a number of different opportunities for residents, service users and other interested groups to influence decision making and service delivery. The main ones used and examples of activities during the year are:

- Surveys and questionnaires (e.g. The Highways Tracker Survey, the Children & Young People of Kent survey and the Country Parks Visitor survey)
- User groups and forums (e.g. East Kent Adult Social Care Focus Group)
- Special interest networks, groups and forums (e.g. The Kent Reference Panel and the Kent Countryside Access Forum)
- Workshops and focus groups (e.g. Annual Budget & Council Tax Consultation, The Coastal Action Network workshop)
- Feedback cards (e.g. comment cards in country parks and Libraries)
- Complaints, Compliments and Comments (all units)
- Formal consultation documents (e.g. Learning Disabilities Day Opportunities Consultation)
- Stakeholder events (e.g. 'Growth without Gridlock')
- Collaborative working and partnerships (e.g. Kent Children's Trust)
- Participation (e.g. youth service interview panel)
- Civic engagement (e.g. Neighbourhood Forums and Kent Youth County Council)
- Delegated decision making (e.g. Youth Opportunities / Capital Funds)
- The use of online social media (e.g. Explore Kent's use of Twitter and Facebook)

- Market research (e.g. Libraries).

The *Have Your Say* area of the Council website has continued to develop as a key way of improving the awareness of the wide range of consultations and engagement activity carried out by the Council and making it easier to take part in them. The site now includes:

- **The Consultation Register** - A new online register showing the Council's current, past and future consultations is available. Relevant officers have undertaken training in how to use the register, and all services are required to update their entries in the database regularly to ensure that the public are accessing the most up to date and complete record of information on our consultations. Local people and community groups can sign up to be automatically notified by email when a new consultation is added to the register.
- **Links** to other local and national consultations. This allows people to access as many consultations affecting the local area as possible from one place.
- **Petitions** - The Council welcomes petitions and recognises that petitions are one way in which people can let us know their concerns. A scheme for e-petitions was agreed by the County Council in July 2010 which now allows the community to petition the Council on-line on issues of concern.
- **Get involved** – this scheme encourages local people to join local community meetings at which the Council's team of Community Engagement Managers provide a key link between local people, local organisations and decision makers in Kent. One of the roles of the team is working with elected members to arrange public meetings in each of the districts in Kent. The meetings are an opportunity for the Council to engage with the local community and understand their views. The form of these meetings varies from district to district, and can be varied to suit the issues being raised. These meetings are an opportunity for local leaders to listen to the views of their communities and for local people to have their say.
- **Community and Seldom Heard Groups** can sign up to be involved in our engagement activities.
- **Kent Health Watch** is a 24 hour helpline for people to call about any worries they have about health or social care. Any time of the day or night, 365 days a year, there is a real person ready to listen and respond to any concerns, complaints or compliments patients or their families have.
- **Kent's Social Innovation Lab (SILK)** was set up in 2007 to test the effectiveness of gathering in-depth insight into customers. The best solutions come from the people who are closest to the problem, be that service users, residents or staff. This goes much further than community consultation and involves people being actively engaged in the design of services that they are going to use or deliver. SILK focuses on connecting the right people with the right projects to ensure that the correct people are in place to create services that are useful for the people who will be using them.

- **The Kent Youth Service** working with the Public Health team and other partners have continued to develop the successful and innovative 'House' model which went live in December 2008. 'House' is a space aimed at young people aged 13 to 19 years old, giving them somewhere to 'chill out', where they can get informal lifestyle information to suit them in a relaxed and unthreatening environment. The results have been phenomenal, the project has made contact with more than 11,000 young people, including many young people who are currently unknown to and do not access existing services. 'House' is now continuing and engagement with young people produced the design brief for a mobile facility that is able to reach into local communities themselves, rather than town centres. 'House' activities can therefore be taken directly into the estates and communities that can most benefit.

Roles and responsibilities of the executive, non-executive, scrutiny and officer functions

Good governance means performing effectively in clearly defined functions and roles. In Kent this is primarily achieved through the mechanisms set out in our constitution.

The Council consists of 84 Members, elected by eligible Kent residents every four years. The Constitution of the Council is determined in accordance with legislation and periodically reviewed and amended by the Council as necessary. The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed. The Constitution is divided into 16 Articles, which form the basic rules governing the Council's business; more detailed procedures and codes of operating are included in the appendices. It seeks to provide effective decision making procedures, ensuring that the Cabinet is accountable to the body of the Council, while providing a role for non executive Members in quasi-judicial committees, in policy formation, overview and scrutiny.

The council elects a Leader at the beginning of each four year term. The Leader, as the head of the Executive, appoints a Cabinet and allocates accountabilities, responsibilities and delegates powers.

The Leader with the Cabinet has executive authority over all the council's functions and activities except those that are reserved to the Council and its committees by statute. The council has the power to dismiss the Leader through a vote of no confidence.

The Council, advised by the Managing Director and the Leader, determines the overall officer structure to deliver the Council's responsibilities, under the management of Managing Director, Corporate Directors and officers. The Council appoints the Managing Director as Head of Paid Service and designates appropriate senior officers as Monitoring Officer and Chief Finance Officer, who are responsible for resolving constitutional disputes and other matters laid down in the Constitution. It also agrees financial, employment and procurement procedures, together with terms and conditions of employment for staff.

The Council has in place policies and procedures to ensure that, as far as possible, its elected members and officers understand their respective responsibilities. New members and employees receive induction and continued training on key policies and procedures as these are developed within the Council.

All Directors and Heads of Service have responsibility for maintaining a sound system of internal controls and management processes within their area of responsibility.

Standards of conduct and behaviour

Good governance means promoting appropriate values for the Council and demonstrating the values of good governance by upholding high standards of conduct and behaviour.

The Council takes the lead in establishing and promoting values for the organisation and its staff. These values are over and above legal requirements (for example, anti-discrimination, equal opportunities and freedom of information legislation) and build on the Good Governance principles. They reflect public expectations about the conduct and behaviour of individuals and groups who control public services:

The Members' Code of Conduct sets out the obligations of Members, how personal and prejudicial interests should be managed and ten general principles governing Members' conduct. After the last election all Members received training on the code and ethical standards as part of their induction process. The attendance at this training was monitored by the Standards Committee.

The Standards Committee is responsible for ensuring that decisions are made with consideration of appropriate ethical standards. Although the Localism Bill proposes the removal of local standards committees, the Council may seek to retain this mechanism for ensuring that high standards of conduct and behaviour are maintained.

The Code of Conduct for Employees is available on the Council's intranet site and is included in the Constitution. It explains that citizens and service users expect high standards of conduct of all Council employees and provides guidance on how to achieve this. Employees are made aware of this Code of Conduct through the corporate induction process.

The Council is committed to the highest possible standards of openness, probity and accountability and encourages its employees and others working for the Council to raise any concerns about any aspect of the Council's behaviour which is likely to breach legislation, including health and safety legislation, to come forward and voice those concerns. The Council has a Whistleblowing Policy and an Anti Fraud and Corruption Policy in place, the latter of which was revised and approved by the Governance and Audit Committee in year.

The Director of Governance and Law is the Monitoring Officer. This role has responsibility for maintaining the Constitution and supports a Standards Committee. The Council's Governance and Law Unit is responsible for ensuring that the Council correctly applies the law and regulations governing its business. Legal advice is provided to officers and members by the team on a range of subjects, and specialist legal advice is bought in when needed.

The Constitution contains a statement on Resource Management Responsibilities which includes the Council's Financial Regulations. These are prepared and maintained by the Corporate Director of Finance & Procurement and the Managing Director and endorsed by the Leader and the Governance and Audit Committee. The Council revised its Financial Regulations during 2009/10, and these were agreed by the Governance and Audit Committee in April 2010 for subsequent approval at Full Council in July 2010.

The Corporate Director of Finance & Procurement, as the Section 151 Officer, is also responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting records and of its systems of internal control

The Council operates an effective complaints and customer feedback system, that demonstrates to the public that we:

- are “putting our customers first”;
- listen to what residents have to say;
- are open, honest and transparent;
- are responsive and fair.

The Council has, in the past, operated a devolved approach to complaints, comments and compliments management. This is now in the process of being centrally managed, and although individual directorates and business units will remain responsible for compiling detailed responses, they will do so in accordance with the Council's Complaints, Comments and Compliments policy. An annual report is provided to Governance and Audit Committee that sets out the level and type of complaints received by the Council, and the improvements that have been made to policies, systems and processes as a result.

Decision making, scrutiny and risk management

Good governance means taking informed, transparent decisions and managing risk.

Within its constitution the Council has a formally stated the types of decisions that are delegated to the executive and those that are reserved for the full Council.

The Leader with the Cabinet comprise the Executive and are responsible for all of the Council's functions that are not the responsibility of any other part of the Council, whether by law or under the Constitution. Operational matters requiring a decision are delegated to council officers as outlined in Appendix 2 Part 4 of the Constitution.

Forthcoming key decisions by the Cabinet are published in the Cabinet's Forward Plan in so far as they can be anticipated. The Forward Plan is published under the name of the Leader of the Council and covers a six month period; two months more than is required by statute.

Under section 21 of the Local Government Act 2000, the Council has appointed the Cabinet Scrutiny Committee, the Scrutiny Board, the Policy Overview and Scrutiny Committees and the Health Overview and Scrutiny Committee from among the non-executive Members. Their terms of reference cover all the main services of the Council and the Council's duty under the Health and Social Care Act 2001 to scrutinise the health services in Kent.

The Council maintains an Internal Audit department that operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom. The Head of Internal Audit and Risk reports to the Corporate Director of Finance & Procurement and has direct access to the Managing Director, Members and the Chair of the Audit Committee.

The annual Internal Audit plan is risk based and incorporates compliance with policies, procedures and legislation, efficiency and effectiveness, specialist audit work, including pro-active and reactive fraud work and IT audits. The plan includes a large proportion of audits that review and report on the Council's main financial systems and processes. These provide assurance that financial procedures are being complied with, internal controls are operating as expected and that the Council's money is being spent in accordance with financial regulations and procedures and relevant legislation.

The Governance and Audit Committee is comprised of 13 Members representing the two largest political parties. The Terms of Reference of the Governance and Audit Committee were extensively revised during 2010/11 and now exceed the requirements of the CIPFA guide for Audit Committees in local authorities.

Its responsibilities are set out in the Constitution and its overarching purpose is described as:

- ensuring that the Council's financial affairs are properly and efficiently conducted, and;
- reviewing assurance as to the adequacy of the risk management and governance framework and the associated control environment.

To enable oversight of the Council's trading activities, the Council has a Trading Sub Committee of the Governance and Audit Committee. The overall remit of this committee is to ensure that the trading activities of the Council are run properly, transparently and fairly. The sub-committee comprises three Members drawn from the membership of the main committee.

During the year the Council has developed its open data and transparency programme. Open data means making the non-personal information the Council holds freely available to everyone in a format that can be reused. Open data currently available on the Council's website includes:

- Corporate Management Team salaries and expenses
- Corporate Management Team register of gifts and hospitality
- Council spending
- Councillors' allowances and expenses
- Education Budget and Outturn Statements
- Invoices over £500
- Kent area profiles

Our programme meets and in some cases exceeds the expectations of central government.

Developing capacity and capability of members and officers

Good governance means developing the capacity and capability of the governing body to be effective.

Member development is delivered under the Member Development Charter which was achieved in 2010. All Members receive training on the Code of Conduct through Induction. Other tailored training has been provided to support the work on specific committees (e.g. Planning, Personnel). In addition to this, generic leadership and personal development programmes are part of the offering, which is revised on a yearly basis. All members have been asked which courses provided by the Council (both Member specific and those accessed by officers) would be of benefit to them. This takes place during their annual personal development planning meeting with a dedicated officer.

All officers of the Council are subject to the appraisal and personal development process (Total Contribution Pay), which has been enhanced this year by the introduction of performance appraisal and management for the Corporate Management Team. These processes are expected to provide a tailored action and development plan that meets the needs of the individual officers and delivery of objectives in support of their service unit. The personal plans are supported by a comprehensive range of development programmes.

For the first three quarters of the year, up to December 2010 the County Council has delivered staff performance and development in accordance with the explicit aspirations of the "Strategy for Staff"; health & attendance, skills for life and self service are examples of significant successes. Since December 2010 to March 2011 the Council has begun its transformation - '*Change to Keep Succeeding*' which has established a clear expectation that all staff will have an appreciation of our shared values and of the behaviours expected to continue to provide excellent customer service. Whilst this transition is being made we have maintained the principles of performance management and development as outlined in the Total Contribution scheme.

Compliance with the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010)

The Corporate Director of Finance and Procurement (as Chief Financial Officer) has reviewed the Council's compliance against the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010). The Council's financial management arrangements comply in all significant respects with the principles set out in the CIPFA statement. The gaps that do exist will be considered and addressed over the next financial year if appropriate.

Compliance with the CIPFA statement on the Role of the Head of Internal Audit in Local Government (2011)

The Head of Audit and Risk (as the Council's senior audit professional) has reviewed the Council's compliance against the CIPFA statement on the Role of the Head of Internal Audit in Local Government (2010). As reported to the Governance and Audit Committee in March 2011 the Council's arrangements comply in all significant respects with the principles set out in the CIPFA statement.

Organisational design principles

The Council has clearly stated that it must continue to change to succeed, and that to deliver the agenda set out in *Bold Steps for Kent* there must be a new organisational structure and culture. The Council has approved seventeen organisational design principles upon which the new KCC structure and approach to service delivery will be established. These design principles will also enhance the governance framework of the Council, and will be supported through the application of Statements of Required Practice (SORPs), which will cover topics such as:

- Performance Management
- Business & Financial Planning
- Procurement
- Risk Management

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers and Committees within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Audit and Risk's annual report, and also by work undertaken by the external auditors and other review agencies and inspectorates.

The review which has been undertaken for the purposes of this statement has relied upon the outcomes of the Governance Framework previously described, and supplemented by specific sources of evidence described below.

Planning

The Council's planning process is fundamentally driven by the strategic direction set out by our four year plan *Towards 2010* and now by *Bold Steps for Kent*, our new Medium-Term Plan for the next four years. Our achievement of the aims of *Towards 2010* was reported to Cabinet in October 2010. This showed that the final status of the 63 targets as follows:

- 'Completed' – 49 targets (78%)
- 'Good progress' – 13 targets (20%)
- 'Not achieved' – 1 target (2%)

The financial framework within which our plans are delivered is articulated in the Medium Term Financial Plan and the Budget Book, both of which were approved by the County Council in February 2011, despite the incredibly difficult financial pressures facing the Council.

Each business unit has its own annual Service Level Business Plan which sets out how it will contribute towards our medium term plans, and identifies the key planned activities, performance measures and priorities at a service level within this overarching framework. Business Plans for 2010/11 were considered and approved by Cabinet in March 2010.

Following the restructure of KCC on the 4th April 2011, a review of organisational business planning will commence in summer 2011. This will ensure that the business planning process remains fit for purpose in the new structure and provide consistency with the new corporate "one-council" approach set out in the *Change to Keep Succeeding* report from the Managing Director, approved by County Council in December 2010. Should any changes to the business planning process be required approval will be sought through Cabinet and County Council as appropriate.

Performance Management

As well as regular reporting on the achievement of the targets set out in *Towards 2010*, performance within the Council is monitored through the Core Monitoring Report, which contains a range of data on actual performance against target indicator levels. This report is considered by the Corporate Management Team, Cabinet and the Policy, Overview and Scrutiny Committees.

Progress against our budget, major projects, risks, staffing matters and Health and Safety performance data are all reviewed by various Committees of the Council, although Cabinet, in delivering its executive role, receives all relevant performance data.

There was also a performance management process operating within all Directorates of the organisation, and this is underpinned by the management of personal performance through the Total Contribution Pay process.

Cabinet

During the year Cabinet have received and reviewed regular reports relating to the performance of the Council's system of internal control, including the Strategic Risk Register, Revenue & Capital Budget Monitoring, Treasury Management and Core Monitoring (Performance and business plans). It has also considered the outcomes of the work of our external regulators, the Care Quality Commission and Ofsted. Cabinet has also reviewed and approved a number of key strategy documents, including *Bold Steps for Kent*, our new Medium Term Plan to 2014. Cabinet also approves the Directorate Business plans.

Policy Overview and Scrutiny Committees

The Cabinet Scrutiny Committee has met monthly to scrutinise the decisions taken by Cabinet or individual Cabinet Members. The Committee Chair and Spokesmen decide which decisions require scrutiny and decisions that are not in accordance with the approved policy or budget are automatically referred for scrutiny.

Committee Members scrutinise decisions by questioning the relevant Cabinet Member and Managing Director. Local taxpayers and stakeholders are able to participate in this process by attending meetings as they are held in public suggesting decisions for scrutiny and submitting written comments on decisions already called in for scrutiny.

There were eleven Policy Overview and Scrutiny Committees operating during the year reviewing the key issues and risks managed by the Council's directorates.

The Standards Committee

The Standards Committee is responsible for promoting and maintaining high standards of conduct by Members of the Council. It endeavours to address any concerns regarding Members' conduct and will deal with any reports from the Standards Board of England. The Standards Committee has continued to work with Members, through the Group Leaders, to ensure that Members' Annual Reports have become embedded into Member activity, and so improve accountability to constituents. Dealing with alleged breaches of the Code of Conduct by elected and co-opted Members of the Council continues to be the core work of the Committee, and the number of complaints has remained low, with just two reviewed in 2010/2011 (two in 2009/10), neither of which were upheld.

The Governance and Audit Committee

The Governance and Audit Committee has an ongoing role in the review of the effectiveness of the Council's governance framework. Throughout the year it has received and considered reports regarding the work of Internal Audit and External Audit and on Risk Management, Complaints, Treasury Management and Value for Money. Members of the Committee can also commission reports on any risk area that they feel they need greater assurance on.

Statutory Officers

The statutory functions undertaken by the Head of Paid Service, Monitoring Officer, S151 Officer, Director of Adult Social Services (Managing Director of Adult Social Services) and Director of Children's Services (Managing Director of Children, Families and Education) were effectively fulfilled during 2010/11.

Management

Managing Directors, Executive Directors and Directors of Services have provided assurance, through their signing of a Statement on Internal Controls, Governance and Risk Management Processes, that:

- They fully understand their roles and responsibilities.
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities.
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks.
- They have confirmed which improvements have already been made to controls in certain areas during the year.
- They have identified certain areas where key internal controls still need to be enhanced.

In relation to the last point, areas where internal control still needs to be developed that are considered significant are listed under the section **significant governance issues** below.

Internal Audit

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities.

It is a professional requirement for the Head of Internal Audit to give an opinion to the accounting officer, at least annually, on the overall adequacy and effectiveness of the Council's:

- Risk management.
- Internal Control.
- Governance processes.

This is collectively referred to as "the system of internal control". This opinion is used to inform the Annual Governance Statement

Based on the work that internal audit has performed, and taking into account the individual strengths and weaknesses identified, substantial assurance can be provided on the adequacy of the overall governance and risk management processes and the internal controls at KCC. However, there are some specific concerns that will need to be addressed over the next year if the level of assurance is to be maintained.

During 2010/11 six Internal Audit reports have been issued with “Limited” assurance in the area of information management and governance. The most common theme within these reports is the lack of central co-ordination and over reliance on local arrangements to ensure sound information governance. Early steps have been taken to improve the situation, including the formal appointment of the Director of Governance and Law as the Senior Information Risk Officer, or SIRO.

In common with most large organisations the Council is subject to fraud, although in recent years this has usually been at a low level. Toward then end of 2010/11 the Council became aware of a significant irregularity in one of its service areas. As a live case currently under investigation by the police, further detail cannot be provided, but the case did bring to the fore questions about the governance arrangements of the service concerned. The Council immediately commissioned an external review to ascertain the specific control failures that gave rise to the issue, and is currently seeking to commission a wider governance review of the service area during 2011. Changes to the control environment have already been implemented and more will need to follow, including establishing a more commercially aware internal audit presence.

During 2010/11 the Council embarked on an organisation-wide transformation project called *Change to Keep Succeeding*. This programme will inevitably impact on the Governance of the Council, and it is important that the work recently initiated on the internal management control framework is sufficiently comprehensive to also address all aspects of operational governance.

The results of all Internal Audit reviews have been reported to the Governance and Audit Committee and distributed to a wide number of senior officers and Cabinet Members. This ensures that senior managers consider any issues arising from Internal Audit’s work and agree how to progress and implement recommendations particularly for authority wide and cross cutting audits.

Review of Internal Audit

The Annual Audit Report includes a review of the effectiveness of the system of internal audit for 2009/10, conducted in accordance with the requirements of the Accounts and Audit Regulations. This confirms that the systems of internal audit operated effectively in accordance with CIPFA's code of practice

External Audit and other regulators

The Audit Commission is currently the Council’s appointed External Auditor. Each year the District Audit issues an opinion on the Councils’ financial statements and arrangements for value for money. The opinion for 2009/10 was unqualified, and it is expected that a similar opinion will be issued for 2010/11.

The Council is also subject to other regulatory regimes, and during 2010/2011 received assessments of its services from Ofsted and CQC

Ofsted

The Council was the subject of three inspections from Ofsted during 2010/11, two of which focussed on children's services and one of Community learning and skills.

The inspection of the Kent Community Learning and Skills service concluded that the Council's overall effectiveness of provision was good, as was its capacity to improve. The report identified four areas for improvement, although no time scale was attached to these.

In August 2010 Ofsted completed an unannounced inspection of contact, referral and assessment arrangements within local authority children's services. The inspection identified one area for priority action alongside areas of strength, satisfactory practice and areas for development. The findings of the inspection and the identified area for priority action were identified as likely to limit the annual assessment to 'performs poorly'.

Immediately after the unannounced inspection Ofsted conducted an inspection of safeguarding and looked after children services. This inspection was formally reported in November 2010, and concluded that the overall effectiveness of services in Kent to ensure that children and young people are safeguarded and protected was inadequate, and that the capacity to improve was also inadequate. The report identified 13 areas for improvement, four of which were for immediate action, six to be completed within three months and three within six months.

As in previous years Ofsted have also provided an annual children's services assessment. In response to the outcomes of the inspections above the overall assessment has been reduced from "Performs well" to that of "Performs poorly"

In response the Council met with the Minister for Children and his officials in December 2010 to review arrangements for improvement, and to consider next steps. This included discussion of a draft improvement and plan which was subsequently amended in the light of the targets set in the improvement notice.

The Council has also established the Kent Improvement Board to support rapid and sustainable improvement of services in the county that safeguard children and/or support looked after children. Its key roles are to agree, monitor and report progress on the actions in the Kent Children's Services Improvement Plan. The Board has appointed an independent chair, Liz Railton, which has been approved by the Parliamentary under Secretary of State for Children and Families. The Chair will report directly to the Minister and the Leader of the Council on progress on a quarterly basis.

Care Quality Commission

In November 2010 the outcome of the performance analysis of the Council's adult social services for 2009/10 was announced by the Care Quality Commission. The Council was awarded 'Excellent' in three of the seven outcomes and was judged as 'Good' in the other four outcomes. A performance rating of 'Performing well' was awarded overall.

Six areas for improvement were identified and an action plan has been developed which will be monitored on a regular basis by the Council and by the Care Quality Commission.

On 3rd November 2010, the Minister of State for Care Services announced that the Care Quality Commission will no longer conduct an Annual Performance Assessment of councils' commissioning of care under the existing framework. The discontinuation of the Annual Performance Assessment will take place with immediate effect and there is therefore no CQC Annual Performance Assessment for 2010/2011

Risk Management

The Council managed its risks during 2010/11 in accordance with the approved Risk Management Strategy and Risk Management Toolkit. The Corporate Management Team and Directorate Management Teams formally considered risk on a regular basis throughout the year. Half-yearly risk reports were submitted to Cabinet and Governance and Audit Committee which included key corporate and directorate risks. Directorate risk registers were reported to relevant Policy Overview and Scrutiny Committees. The framework for the management of the Council's risks will be updated during 2011/12, based on the ISO 31000, to ensure it can meet the requirements of the internal management framework developed through *Change to Keep Succeeding* and address known issues in the current arrangements.

The Internal Audit Plan for 2010/11 presented to the Audit Committee in April 2010 was linked to the Council's Strategic and Directorate Risk Registers so that Internal Audit could provide assurance on the effectiveness of the internal control framework during 2010/11.

Significant governance issues

The following issues have been assessed as being significant for the purpose of this Annual Governance Statement. We will over the coming year take appropriate steps to address these matters and further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Source	Issue	Proposed action	Owner
Ofsted report.	Findings of the Inspection of safeguarding and looked after children services.	Full implementation of the targets set out in the improvement notice issued after the inspection.	Corporate Director Families & Social Care
Notification of irregularity.	Potential control weaknesses resulting in an irregularity.	Full implementation of the independent review of the control environment.	Corporate Director Enterprise & Environment

.....

Paul Carter

Leader

On behalf of Kent County Council

.....

Katherine Kerswell

Managing Director