

Appendix 1



Folkestone & Hythe District Council Annual Governance Statement 2019/20

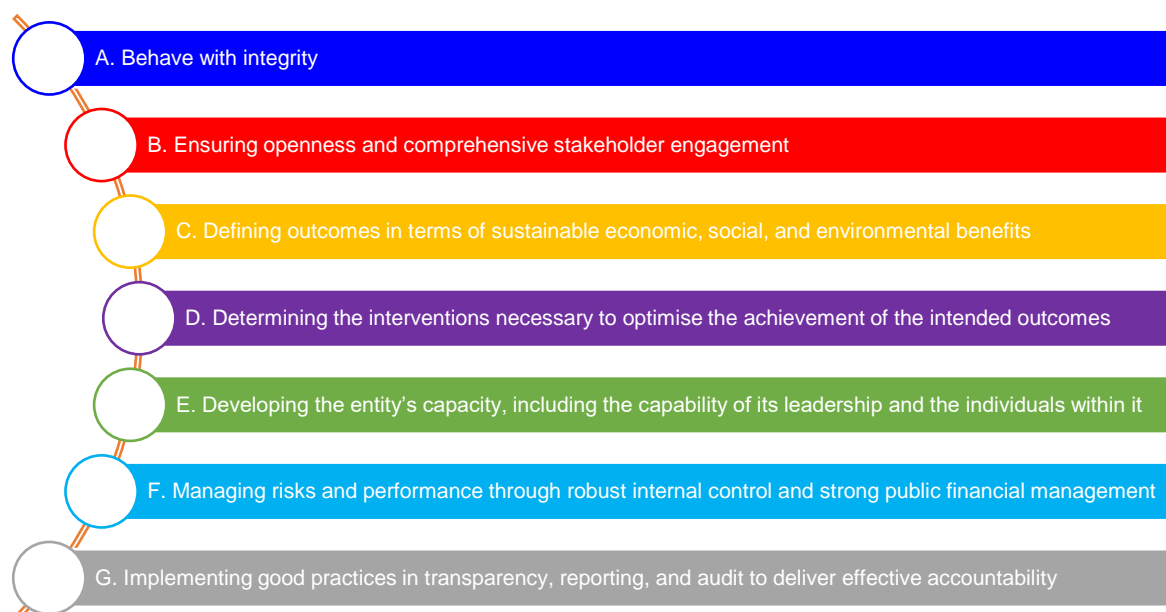
Annual Governance Statement 2019/20

1. SCOPE OF RESPONSIBILITY

- 1.1 Folkestone and Hythe District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and 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.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and the management of risk.
- 1.3 The Council has a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE framework “Delivering Good Governance in Local Government.” A copy of the code is on our website or a copy can be obtained from the Council offices. This statement explains how the Council has complied with the code and also meets the requirements under the Accounts and Audit Regulations 2015 (SI 2015/184).

2. THE PRINCIPLES OF GOOD GOVERNANCE

- 2.1 The CIPFA/SOLACE Delivering Good Governance publication (2016) defines the various principles of good governance in the public sector. The document sets out seven core principles that underpin the governance framework and these are set out below:



3. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 3.1 The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled. It also comprises the activities through which the Council accounts to, engages with and leads the community. The governance framework 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.
- 3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It 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 risks to the achievement of the Council's aims and objectives.
 - Evaluate the likelihood and impact of those risks.
 - Manage those risks efficiently, effectively and economically.
- 3.3 The information provided in the governance framework includes matters to the year ending 31 March 2020, and up to the date of approval of the annual report and statement of accounts.

Table 1: Overview of the Council's governance framework

<u>Cabinet</u>		
Responsible for: <ul style="list-style-type: none"> • Discharging executive functions in accordance with the policy framework and budget • Approving the authority's risk management policy statement and strategy, and for reviewing the effectiveness of risk management • Approving the Anti-Fraud and Corruption Framework • Receiving quarterly performance updates to monitor achievement of key priorities, customer charter standards, performance indicators and spend against the planned budget. 		
<u>Overview & Scrutiny</u>	<u>Council</u>	<u>Audit and Governance</u>
Responsible for: <ul style="list-style-type: none"> • Reviewing the work and decisions of the Cabinet, and all areas of the Council's work. • Carrying out specific projects and investigations and considering matters or services provided by an outside organisation that could affect local residents. • Exercise the power to call in a decision of the cabinet or a cabinet member. 	Responsible for: <ul style="list-style-type: none"> • Adopting the authority's Constitution, including codes of conduct and approving the budget and policy framework. • Setting the budget and determining the level of Council Tax • All the authority's non-executive functions. Functions which have not been delegated, remain the sole responsibility of the whole or full Council. 	Responsible for: <ul style="list-style-type: none"> • Promoting and maintaining the highest standards of conduct by Councillors. • Monitoring the operation of the Councillors' Code of Conduct. • Advising, training or arranging to train Councillors on matters relating to the Code where necessary. • Considering and recommending to Council, when necessary, changes to the financial procedure rules and contract standing orders. • Providing independent assurance on the adequacy of the risk management framework.

<p style="text-align: center;"><u>Decision Making</u></p> <ul style="list-style-type: none"> • All decisions are made in line with legislation and rules set out in Council's Constitution. • Reports, decisions and minutes of committee meetings published on the Council's website. • All committee meetings are held in public and webcast. Webcast recordings of previous meetings are available to the public for six months. 	<p style="text-align: center;"><u>Risk Management</u></p> <ul style="list-style-type: none"> • The Councils' Risk management Strategy ensures proper management of risks • Risk registers identify both strategic and operational risks • Quarterly updates on the management of risk are provided to the Corporate Leadership Team, Audit and Governance Committee and Cabinet.
<p style="text-align: center;"><u>Statutory Chief Officers</u></p> <ul style="list-style-type: none"> • Head of Paid Service: This role has a duty to monitor and review the operations of the Constitution to ensure its aims and principles are given full effect. The Authority keeps the appropriateness of the Constitution under review. • Chief Finance Officer (Section 151): The Director for Corporate Services holds the role of Chief Finance Officer, a fundamental building block of good corporate governance. The two critical aspects of the role are stewardship and probity in the use of resources; and performance, extracting the most value from the use of those resources. • Monitoring Officer: The Assistant Director for Governance & Law holds the role of Monitoring Officer and is responsible for: <ul style="list-style-type: none"> ○ Maintaining and interpreting the Councils constitution, ensuring lawfulness and fairness of decision-making. ○ Providing advice to all councillors, on the scope of powers and authority to take decisions; maladministration; financial impropriety; probity; and Budget and Policy Framework issues. ○ Conducting investigations, or arrange for investigations to be conducted, into complaints concerning alleged breaches of the councillor's Code of Conduct. 	

Work has been undertaken during 2019/20 reviewing the governance structure of the Council and changes to the Overview & Scrutiny Committee are anticipated during 2020/21.

Strategic Planning

- 3.4 The Council identifies and communicates its aims and ambitions for the district through its Corporate Plan. The most recent plan covers the period 2017 to 2020, and was agreed by both Cabinet and Council in April 2017.

The Corporate Plan sets out the Council's vision for improving the lives for all those who live and work in the district for the next three years.

The vision for Folkestone & Hythe is '**Investing for the next generation – delivering more of what matters**'.

To help achieve the vision for the district, the Council has six strategic objectives:

- More homes
- More jobs
- Appearance matters

- Health matters
 - Achieving stability
 - Delivering excellence
- 3.5 For each strategic objective, the Council has committed to a number of priorities within the Corporate Plan. The priorities are monitored regularly to ensure they are being delivered effectively. Work is currently underway for a new Corporate Plan for the period 2021 – 2030.
- 3.6 Elected Members of the council are ultimately responsible for the delivery of the council's corporate objectives. The council has strong communication channels between Members and officers. Meetings are regularly held between officers and Cabinet Members to discuss specific issues relating to their individual portfolios and the progression towards defined corporate objectives.
- 3.7 Effective communication, both within departments and across the council is continually supported through the Wider Management Team, consisting of the Head of Paid Service, Corporate Directors, Chief Officers and Service Managers to help ensure consistent delivery of corporate messages.
- 3.8 On annual basis, managers are required to develop a departmental service plan setting out the priorities and key outcomes for the coming year. Service plans form an integral part of the overall corporate planning process, linking the Council's strategic aspiration (Corporate Plan) to team performance (service plans) and individual performance (performance reviews), in order to effectively manage resources and deliver high quality services for our residents.

Transparency

- 3.9 In 2015, the Government introduced the Local Government Transparency Code. The Code is designed to ensure data is made more readily available by local authorities to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services.
- 3.10 Folkestone and Hythe District Council as public funded organisation is fully committed to principles of openness and accountability. In line with the Transparency Code, the Council publishes a series of data sets including;
- Senior Staff Salaries
 - Organisational Structure Chart
 - Payment to suppliers (over the value £250)
 - Purchase Orders (£5,000 and over)

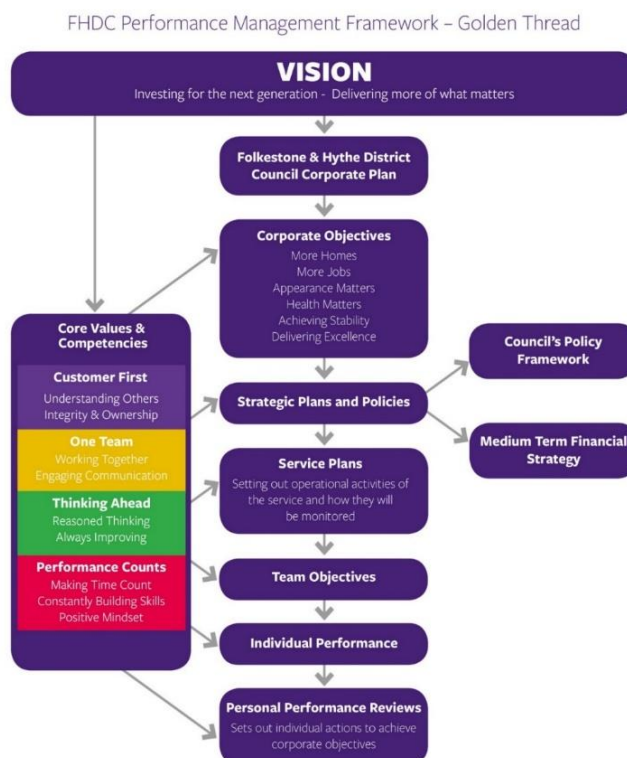
- Pay Multiples - The ratio between the earnings of the highest paid employee and the median earnings figure of our employees.
- Grants to Voluntary, Community and Social Enterprise Organisations
- Parking Accounts
- Local Authority Land Assets

Performance Management

3.11 The Council has an established Performance Management Framework (PMF) in place to keep the Council on track and focused on delivery of its key priorities, by providing elected members, managers and staff with the information and tools they need to deliver high-quality and high-performing services which help to achieve good outcomes for residents.

3.12 The Performance Management Framework demonstrates how the Council's corporate vision and objectives are cascaded down through the organisation in what is known as the 'Golden Thread' (See diagram 1). The objectives defined with the corporate plan and our core values help drive the development of strategic policy, operational service plans and the performance of both teams and individual members of staff.

Diagram 1: FHDC Golden Thread of Performance Management:



3.13 The Council has established performance reporting procedures to Members. The Cabinet receive Quarterly Performance Reports enabling them, along with

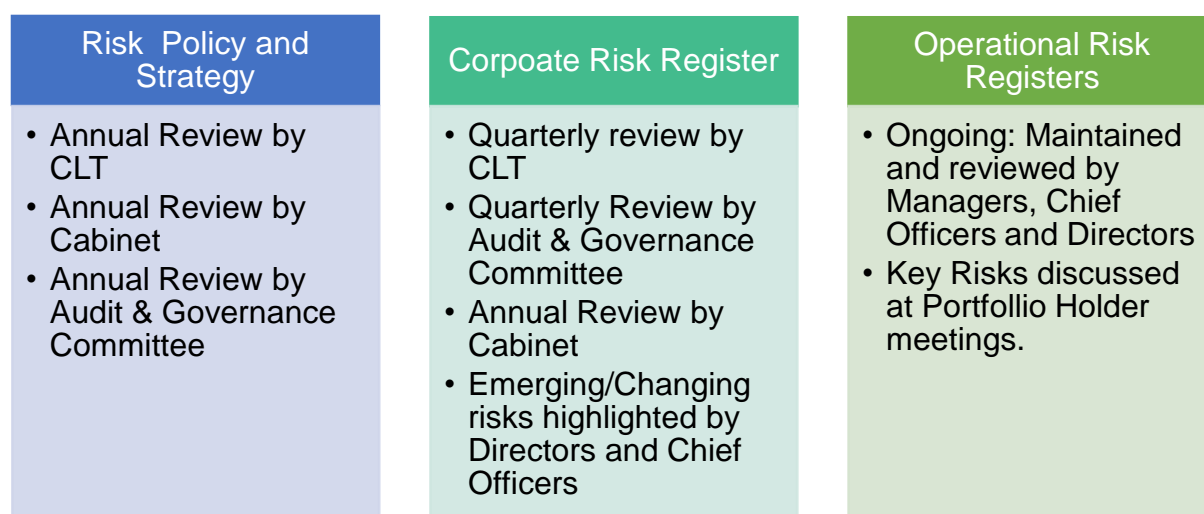
other Members of the Council and the public to scrutinise the performance of the Council against strategic deliverables and key indicators in accordance with the approved Corporate Plan. All performance reports presented are made publically available through the Council's website.

- 3.14 A key component of performance management for the Council is the overall quality of the service provided to the customer and the customer's perception of the council. The Council's Customer Charter sets out the council's commitment to customer service for its residents. In December 2019, the Council successfully retained its Customer Service Excellence (CSE) accreditation, a Government standard developed to offer a practical tool for driving customer-focused change within organisations and was awarded full compliance and 12 compliance plusses by an independent assessor.

Risk

- 3.15 The Council's revised Risk Management Strategy (Adopted by Cabinet in December 2019) is reviewed on annual basis to reflect any future changes in the council's risk management arrangements. The strategy sets out the approach that has been adopted for identifying, evaluating, managing and recording risks to which the council is exposed.
- 3.16 In preparing the Council's Corporate Risk Register a detailed review of the risks already identified is undertaken by Directors and Chief Officers with consideration given to the emergence of potential new risks alongside those previously identified as part of the business planning process. Progress made against any required action in relation to the risks identified within the Corporate Risk Register is reported to the council's Corporate Leadership Team on a quarterly basis.
- 3.17 The Audit and Governance Committee are responsible for considering the effectiveness of the authority's risk management arrangements, and to seek assurance that action is being taken to mitigate those risks identified. The Corporate Risk Register is presented at each Quarterly Audit and Governance Committee. In addition the committee will review the council's Risk Policy and Strategy and Corporate Risk Register annually, ahead of these documents being presented to Cabinet for adoption.
- 3.18 Diagram 2 below provides an overview of the revised governance and reporting arrangements in place for both the Risk Management Policy and Strategy and the Corporate Risk Register to ensure risk remains at the forefront of the Council's operations:

Diagram 2: Reporting Arrangements for Risk Management



Finance

- 3.19 Section 151 of the Local Government Act 1972 requires a council to ensure that one of their officers has responsibility for the proper administration of its financial affairs. During 2019-20, this responsibility was held by the Corporate Director – Customers, Support & Specialist Services until January 2020 after which it was held by the Director of Corporate Services. Directors, Assistant Directors and Service Managers are responsible for the financial management of service areas within the council, which includes the effective monitoring of financial performance against budget.
- 3.20 The council's financial management arrangements conform to the governance requirements of CIPFA's Statement on the Role of the Chief Financial Officer in Local Government as set out in '*Delivering Good Governance in Local Government*'.
- 3.21 The Medium Term Financial Strategy (MTFS) is the Council's key financial planning document which puts the financial perspective on the council's Corporate Plan priorities. The MTFS was updated and approved by Council in October 2019 and expresses the aims and objectives of various plans and strategies in financial terms over a four year period ending 31st March 2024. The MTFS is a key element of sound corporate governance and financial management.
- 3.22 In addition, the Overview & Scrutiny Committee recommended to Cabinet the adoption of the Treasury Management Strategy for the 2019-20 financial year at its meeting in February 2019; Cabinet endorsed this at its subsequent meeting.

- 3.23 A mid-year Treasury Management monitoring report was presented to the Overview & Scrutiny Committee at its meeting in October 2019 which provided an update on the council's treasury management activities that had taken place during the year against the agreed strategy and an update on the treasury management indicators.
- 3.24 Regular budget monitoring took place in 2019-20 in order to manage the council's net revenue budget. Regular meetings are held between officers and the Cabinet Portfolio Holders to discuss any specific budget issues and budget monitoring reports were presented to the Overview & Scrutiny Committee and Cabinet on a quarterly basis.
- 3.25 The level of reserve balances is reviewed annually in line with the budget setting process but is reported to Overview & Scrutiny Committee and Cabinet as part of the quarterly budget monitoring reports.

Partnership and Joint-working

- 3.26 The Council is continuously looking at innovative solutions to deliver its range of services, including the processes associated with service delivery, the ongoing requirements for the scale of services and any associated income opportunities. This approach to service design ensures consideration is given to partnership working with public bodies and local agencies, including identification of shared service opportunities.
- 3.27 The Partnership Policy sets out the Council's vision and scope for partnership working; providing clarity of the types of partnership the Council is involved with and guidance to assist in making decisions regarding setting up or joining partnerships. All partnerships entered into by the Council over the value of £5,000 are recorded within the Grants & Partnerships Register and published on the Council's website for public transparency.

Internal and External Audit

Internal Audit

- 3.28 The Internal Audit function is performed by the East Kent Audit Partnership (EKAP) and aims to provide management with a level of assurance on the adequacy of internal controls and of risks to the Council's functions and systems.
- 3.29 The Head of Internal Audit plays a critical role in delivering the organisation's strategic objectives by: championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.
- 3.30 As at 31st March 2020 the Internal Auditors completed 286 days of review equating to 91% of planned completion, the remaining audits being carried over as work in progress at the year end. The East Kent Audit Partnership (EKAP)

undertake a regular schedule of follow up audits to ensure that management have implemented the action plans arising from each audit. Members can see full details within the Internal Audit Annual Report that will be presented to the Audit and Governance Committee in July 2020.

External Audit

- 3.31 The external audit work of the Council is undertaken by Grant Thornton UK LLP. The main duties are governed by section 15 of the Local Government Finance Act 1982, and the Local Audit and Accountability Act 2015 section 4.
- 3.32 Each year the Council receives a report from its external auditor on the quality of its financial and management administrative arrangements. This is considered both by Cabinet and the Audit and Governance Committee.
- 3.33 The 2018/19 Audit Findings Report gave an unqualified opinion on the Council's financial statements. The 2018/19 Annual Audit Letter from Grant Thornton UK LLP remains pending as there is an outstanding objection to the accounts to be considered. The auditors were also able to certify the pooling of housing capital receipts return without amendment or qualification, and the Housing Benefits Subsidy return was certified by the auditor and submitted to Department of Work & Pensions.

Counter Fraud Arrangements

- 3.34 The Council is firmly opposed to any form of fraud and corruption and will take prompt and decisive action to deal equally with perpetrators from inside and outside the Council. To ensure the highest standards of conduct are upheld, the Council has an established Anti-Fraud and Anti-Corruption Framework in place that is designed to:
- encourage fraud deterrence and prevention
 - raise awareness of fraud and corruption and promote their detection
 - perform investigations and facilitate recovery in a prompt, thorough and professional manner
 - invoke disciplinary proceedings and further action as appropriate.
- 3.35 The Anti-Fraud & Anti-Corruption Framework is formed of five documents, including the Anti-Fraud & Anti-Corruption Strategy, the Fraud Response Plan, the Whistle Blowing Protocol, the Anti-Money Laundering Policy and the Anti Bribery Policy.
- 3.36 The responsibility for the prevention of fraud and corruption lies with management, who ensure that adequate controls, including policies and procedures, are in place to prevent and detect fraud and corruption. The Council has developed systems and procedures that incorporate effective and efficient internal controls, and management ensure that controls minimise risk to an appropriate level. Controls are regularly reviewed to ensure they remain appropriate and effective. The internal and external auditors independently

monitor the existence, effectiveness and appropriateness of these controls.

- 3.36 The Chief Finance Officer (Section 151 Officer) is responsible for the proper administration of the authority's financial affairs. Under Section 114 of the Local Government Finance Act 1988, the Chief Finance Officer is required to report to the full Council, Cabinet and the external auditor if the Council or one of its officers
- has made, or about to make, a decision which involves incurring unlawful expenditure
 - has taken, or about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority
 - is about to make an unlawful entry in the authority's accounts
- 3.37 The Assistant Director for Governance & Law is the 'Monitoring Officer' for the Council. Under 5(2) of the Local Government and Housing Act 1989, the Monitoring Officer is required to report to Cabinet and Council where it appears to him/her that the Cabinet or Council and/or officers appointed by them:
- has made or is about to make a decision which contravenes any enactment, or rule of law
 - has made or is about to make a decision that would give rise to maladministration or injustice as referred to in Part III of the Local Government Act 1974.
- 3.38 The Council was non complaint with regards to its LGSR landlord duties for its housing stock, managed by EKH during 2019/20. A Section 5 report was issued by the Monitoring Officer to all Councillors on 12 July 2019 and reported to Cabinet through paper C/19/15. Close liaison with the regulator has been undertaken and a voluntary undertaking has been agreed. The Council has put in place a number of actions and is currently compliant with the LGSR regulations. One instance of litigation is currently being explored in respect of a previous contractor.

4. REVIEW OF EFFECTIVENESS

- 4.1 The Council has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of East Kent Audit Partnership's annual report and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 In maintaining and reviewing the effectiveness of the governance framework, the key elements are as follows:

- The Audit and Governance Committee, which has responsibility to provide independent assurance on the adequacy of the risk management framework and the associated control environment. The committee provides independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk. It also oversees the financial reporting process and oversees the work of the East Kent Audit Partnership.
- The council's internal management processes, such as performance monitoring and reporting; budget monitoring and reporting; the staff performance appraisal framework and monitoring of policies, such as the corporate complaints and health and safety policies.
- The opinion on the overall adequacy and effectiveness of the council's overall control environment from the Head of Internal Audit.
- An annual self-assessment and management assurance statement signed by Directors and senior managers, confirming that the Code of Conduct, Financial Regulations and other corporate governance processes have operated as intended within their directorates throughout the year.
- Reviews carried out by Internal Audit, External Audit and other review bodies which generate reports commenting on the effectiveness of the systems of internal control employed by the council.

5. GOVERNANCE ARRANGEMENTS IN RESPONSE TO COVID-19 PANDEMIC

- 5.1 In the wake of the Government's emergency response to tackle the Coronavirus pandemic, Folkestone and Hythe District Council, like all other local authorities across the UK has had to adjust the way essential services are delivered to residents.
- 5.2 To help meet the needs of those most vulnerable within the District, the Council swiftly funded the establishment of three community hubs serving Folkestone, Hythe and the Romney Marsh. Charity, volunteer groups, town and parish councils and council staff have supported the day to day operations of these hubs, which have included the collection and delivery of essential food and medicines. Fortnightly updates on the operational progress and activities of the community hubs are provided to Corporate Leadership Team and Members by Democratic Services and Elections Lead Specialist acting as the Council's operational lead for the hubs.
- 5.3 In order to ensure the Council remains effective in managing and delivering its 'business continuity' obligations in response to the pandemic, virtual meetings have been undertaken on a daily basis with a senior team of staff, including those leading on a number of themes relating to service delivery and managing responses to requests from both Central Government and the Kent Resilience Forum.

- 5.4 The Council's Leader and Cabinet members have actively participated in regular virtual meetings with the Corporate Leadership Team and senior officers to manage the corporate response to the emergency. To ensure essential decision making and the democratic processes of the Council can continue to operate in these unprecedented circumstances, the legislative changes introduced as part of the Coronavirus Act 2020 have ensured that virtual committee meetings can take place until May 2021. The Committee Services team have taken steps in light of the legislative change by piloting virtual committee meetings through the Zoom conferencing platform with a schedule of meetings due to commence from May 2020.
- 5.5 As part of the wider emergency response to the Coronavirus pandemic, the Council is an active member of Kent Resilience Forum (KRF) formed of emergency responders and supporting agencies that are required to plan for emergencies. The Council has ensured key staff have been actively contributing to the strategic and tactical planning group meetings of the KRF on a daily basis as well as participating in the work of established recovery cells that focus on a range of themes including the economy, district/community and finance.
- 5.6 The future easing of lockdown conditions imposed by Central Government will require the Council to develop a recovery plan for the District that will engage with local stakeholders to establish a series of key priorities to support the needs of our local communities. A framework for the recovery plan will be presented to Cabinet in summer 2020.

6. EAST KENT HOUSING

- 6.1 In February 2020 the Council agreed that the management of its housing stock should be brought back in-house and that a termination of the management agreement with EKH should be negotiated and concluded as soon as practicable. The housing management service will be brought back in-house on the 1st October 2020. A housing transition board has been set up to manage the transition with the Director of Housing and Operations, The Director of Transformation and Transition and the Assistant Director for Housing forming the main board membership. The Director of Transformation and Transition and the Cabinet Member for Housing, Transport and Special Projects have delegated authority for all decisions made throughout the transition period. Following the transition board meeting the Directors from the board report into the Council's wider Transformation Board which includes all members of the Corporate Leadership Team to update them of the decisions taken and transition progress.

7. CONCLUSION

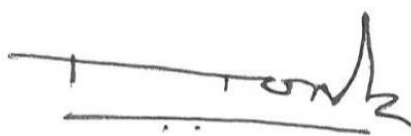
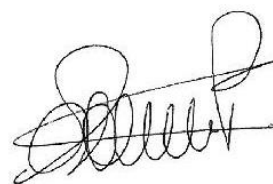
- 7.1 In line with the council's responsibilities for its internal control and overall governance environment (paragraph 1.1), the conclusion to the annual review process for the year ended 31 March 2020 and up to the date of approval of

the Statement of Accounts is that the arrangements in place are considered to be fit for purpose and in accordance with the council's governance framework, with no significant areas requiring attention.

- 7.2 Set out in Appendix 1 is the action plan outlining the steps the Council proposes to take over the coming year to further enhance our governance arrangements.
- 7.3 The findings of the annual review of the governance framework will be reported to Members of the Audit and Governance Committee on 30th July 2020.

Signed

Signed

Cllr David Monk

Leader of the Council

Date: 30 July 2020

Dr Susan Priest

Head of Paid Service

APPENDIX 1: Action plan for improvement following review of effectiveness of governance arrangements 2020/21

	Action	Who	Date
1	Annual Review of Corporate Governance At the end of the year, the Council will produce its statement on governance, which includes end of year assurance statements by Assistant Directors/Chief Officers and internal audit's opinion report	Monitoring Officer	May 2021
2	Governance Arrangements To keep under review, the Council's governance arrangements.	Monitoring Officer	March 2021
3	Data Retention Policy and General Data Protection Regulation To keep under review, the Data retention policy and the new General Data Protection Policy.	Monitoring Officer	March 2021

4	Review of the Overview & Scrutiny Committee function To implement the revised governance and working arrangements of the committee.	Monitoring Officer	Ongoing
5	Review of Corporate Risk Policy for the Council: Encourage all services to have up to date Departmental / Project Risk Registers that comply with the Corporate Policy. Undertake the annual review of the Policy alongside the Audit & Governance Committee and make recommendations to Cabinet.	Director of Corporate Services	March 2021
6	Financial Management Code Review and assess conformity with the CIPFA Statement of Principles of Good Financial Management, raise awareness in the organisation and make appropriate changes to processes to ensure compliance with the Financial Management Code for 2020/21.	Lead Accountant & Monitoring Officer	April 2021
7	Folkestone & Hythe Accelerated Delivery Board: Existing governance arrangements for the board will be reviewed in light of the council's approach to COVID-19 recovery and new Corporate Plan.	Corporate Director of Place	March 2021
8	Performance Management Framework The existing Performance Management Framework will be reviewed to ensure it aligns with the strategic objectives of the new Corporate Plan.	Performance & Improvement Specialist	March 2021