

Appendix 1



# Folkestone & Hythe District Council Annual Governance Statement 2022-23



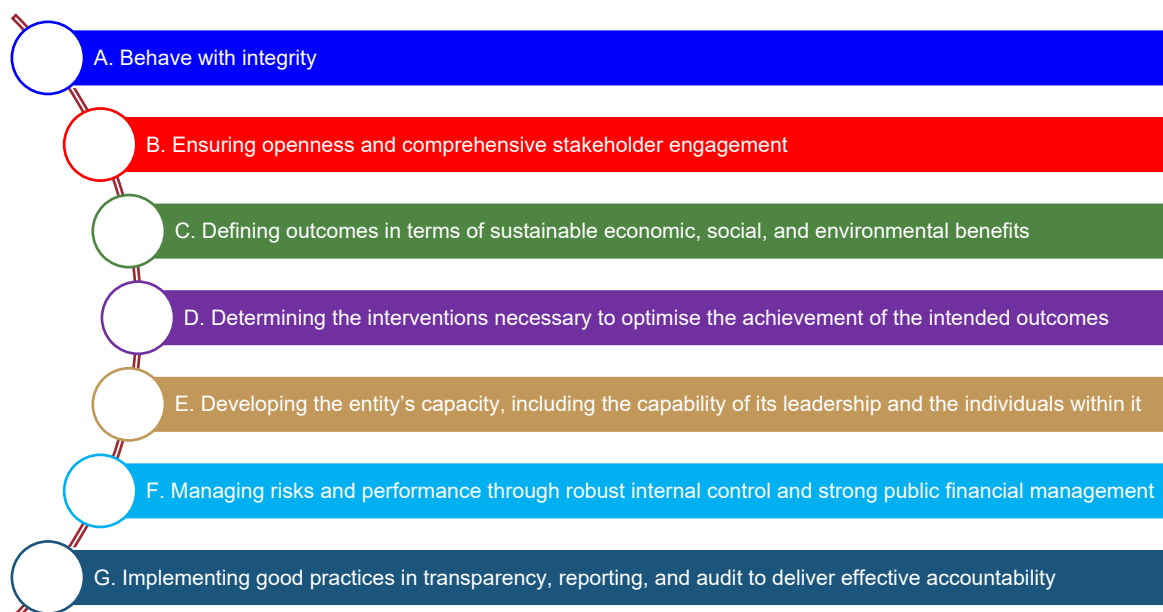
# Annual Governance Statement 2022/23

## 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 2023, and up to the date of approval of the annual report and statement of accounts.

**Table 1: Overview of the Council’s governance framework**

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

<p><b>Finance and Performance Sub Committee</b></p> <p>Responsible for:</p> <ul style="list-style-type: none"> <li>To scrutinise the Council's performance against KPIs and make recommendations as appropriate, to the Cabinet and / or Overview and Scrutiny Committee.</li> <li>To scrutinise the Council's financial monitoring data against budget and make recommendations as appropriate, to the Cabinet and / or Overview and Scrutiny Committee.</li> </ul>		
<p><b><u>Decision Making</u></b></p> <ul style="list-style-type: none"> <li>All decisions are made in line with legislation and rules set out in Council's Constitution.</li> <li>Reports, decisions and minutes of committee meetings published on the Council's website.</li> <li>All committee meetings are held in public and webcast. Webcast recordings of previous meetings are available to the public for six months.</li> </ul>	<p><b><u>Risk Management</u></b></p> <ul style="list-style-type: none"> <li>The Councils' Risk management Strategy ensures proper management of risks</li> <li>Risk registers identify both strategic and operational risks</li> <li>Regular updates on the management of risk are provided to the Corporate Leadership Team, Audit and Governance Committee and Cabinet.</li> </ul>	
<p><b><u>Statutory Chief Officers</u></b></p> <ul style="list-style-type: none"> <li><b>Head of Paid Service:</b> This role resides with the Chief Executive and 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.</li> <li><b>Chief Finance Officer (Section 151):</b> The Director for Corporate Services holds the role of Chief Finance Offer, 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.</li> <li><b>Monitoring Officer:</b> The Assistant Director for Governance &amp; Law holds the role of Monitoring Officer and is responsible for: <ul style="list-style-type: none"> <li>Maintaining and interpreting the Councils constitution, ensuring lawfulness and fairness of decision-making.</li> <li>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.</li> <li>Conducting investigations, or arrange for investigations to be conducted, into complaints concerning alleged breaches of the councillor's Code of Conduct.</li> </ul> </li> </ul>		

In October 2021, the following changes were introduced to provide more robust scrutiny and greater Member involvement earlier in strategy and policy development, and in decision making by:

- Focusing meetings of the Overview and Scrutiny Committee on critical Council activities.
- Creating a dedicated finance and performance sub-group to meet quarterly.

- Developing a prioritised committee work plan to include about 12 clearly scoped topics by OSC Members, allowing for detailed consideration of the most significant matters facing the Council and considering no more than two of those topics per meeting, in general.
- Ensuring work plan topics have clear lines of enquiry, questions, and to draw on external expertise as necessary.
- Members leading the items at Scrutiny meetings, with relevant portfolio holders in attendance.
- Introducing an established Cabinet and Overview and Scrutiny Protocol to clarify relationships between the two and to help ensure the smooth conduct of Scrutiny work, which was adopted by both groups in October 2020.

In February 2022, Full Council received a progress update on the work undertaken to review the governance arrangements of the Council (report ref: A/21/22). The report highlighted the work achieved so far against a set of goals agreed by members for governance change – Inclusiveness, Representation, Accountability, Effective Scrutiny, Efficiency and Transparency. A decision on any changes to the Council’s governance arrangements was then considered at Full Council in May 2022, and members decided not to make changes to the current governance arrangements (report ref A/22/07).

In addition to the improvements implemented with the Overview & Scrutiny Committee, it should be noted that:

- In December 2019, members of Full Council approved a recommendation made by the Audit and Governance committee to appoint an independent member to that committee in line with the updated 2018 CIPFA Practical Guidance for Local Authorities and Police (Report ref: A/19/20). The guidance recognises that the recruitment of independent members is undertaken to bring additional knowledge and expertise to the committee, reinforce political neutrality as well as maintain continuity of committee membership where it is affected by the electoral cycle. The position for an independent member of the Audit and Governance committee was advertised during the year and was successfully appointed at a Special meeting of the Audit and Governance Committee held on the 24 November 2020.
- Since 1<sup>st</sup> February 2020 changes have also been made to the membership of Cabinet which now includes a Councillor from the Green party and a Councillor from the Liberal Democrat party. They joined two councillors from the Independent party, and five conservative members to form the executive under the leadership of the Conservative party. The political composition of executive has continued to remain the same during the 2022/23 year.

## Strategic Planning

















- 3.4 The Council identifies and communicates its aims and ambitions for the district through its Corporate Plan. The latest plan covers the period 2021 to 2030, and was agreed by both Cabinet and Council in February 2021 (report ref: A/20/10). Within this period in the short term there is a focus on COVID recovery, and the Plan will be reviewed in 2024.

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 nine years.

The vision for Folkestone & Hythe is ‘**Creating Tomorrow Together**’.

To help achieve the vision for the district, the Council has four service ambitions and six guiding principles set out below:

### Creating Tomorrow Together: Corporate Plan 2021-30

<p><b>Service ambition 1:</b> Positive community leadership</p> <p>Priorities in the next three years</p> <ul style="list-style-type: none"> <li> Improve physical and mental health &amp; wellbeing</li> <li> Safer communities</li> <li> Supporting &amp; empowering our communities</li> </ul>	<p><b>Service ambition 2:</b> A thriving environment</p> <p>Priorities in the next three years</p> <ul style="list-style-type: none"> <li> Ensure an excellent environment for everyone</li> <li> Grow the circular economy &amp; reduce waste</li> <li> Increase our resilience to climate change</li> </ul>	<p><b>Service ambition 3:</b> A vibrant economy</p> <p>Priorities in the next three years</p> <ul style="list-style-type: none"> <li> Reinvigorate the high streets</li> <li> Support a vibrant &amp; diverse business community</li> <li> Help people access jobs &amp; opportunity</li> <li> Grow the skills we need for the future</li> </ul>	<p><b>Service ambition 4:</b> Quality homes and infrastructure</p> <p>Priorities in the next three years</p> <ul style="list-style-type: none"> <li> Improve outcomes &amp; support for homeless people</li> <li> Deliver sustainable, affordable housing</li> <li> Deliver a safe, accountable housing service</li> <li> Digital inclusion &amp; connectivity</li> <li> Deliver a sustainable new development at Otterpool Park</li> </ul>			
<p>In everything we do we will follow these guiding principles:</p>						
<p><b>Sustainable recovery</b> We will do all we can to ensure a strong recovery for the district from the effects of COVID.</p>	<p><b>Locally distinctive</b> We will protect the special distinctive and diverse nature of our district - working with our key partners to enhance it.</p>	<p><b>Greener Folkestone &amp; Hythe</b> We will encourage and create a more sustainable district consuming fewer natural resources.</p>	<p><b>Transparent, stable, accountable and accessible</b> We will be financially sustainable and communicate effectively with our communities in an accessible way.</p>	<p><b>Working effectively with partners</b> We will engage with partners to understand the vital role they play and work collaboratively with them to ensure the best outcomes for our residents.</p>	<p><b>Continuous improvement</b> We will embed a culture of continuous improvement, seeking feedback and being innovative and creative to find new ways to deliver services.</p>	

- 3.5 For each service ambition set out above, the Council has committed to a number of priorities within the Corporate Plan that will be delivered over the next three years.

- 3.6 In order to support the delivery of the corporate plan priorities illustrated above, work has been undertaken during the year with directors, chief officers and their service leads to develop a Corporate Action Plan that documents a series of high level actions under each of the four corporate service ambitions that the Council will work towards achieving during the three year period to 2024. An annual update on the progress against the agreed actions within the plan was presented to Cabinet on 20<sup>th</sup> October 2022 (Report ref: C/22/52)

- 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 Chief Executive, Directors, Chief Officers and Service Managers to help ensure consistent delivery of corporate priorities and messages.
- 3.8 On an annual basis, managers are required to develop, and keep under review, a departmental service plan setting out their priorities 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.

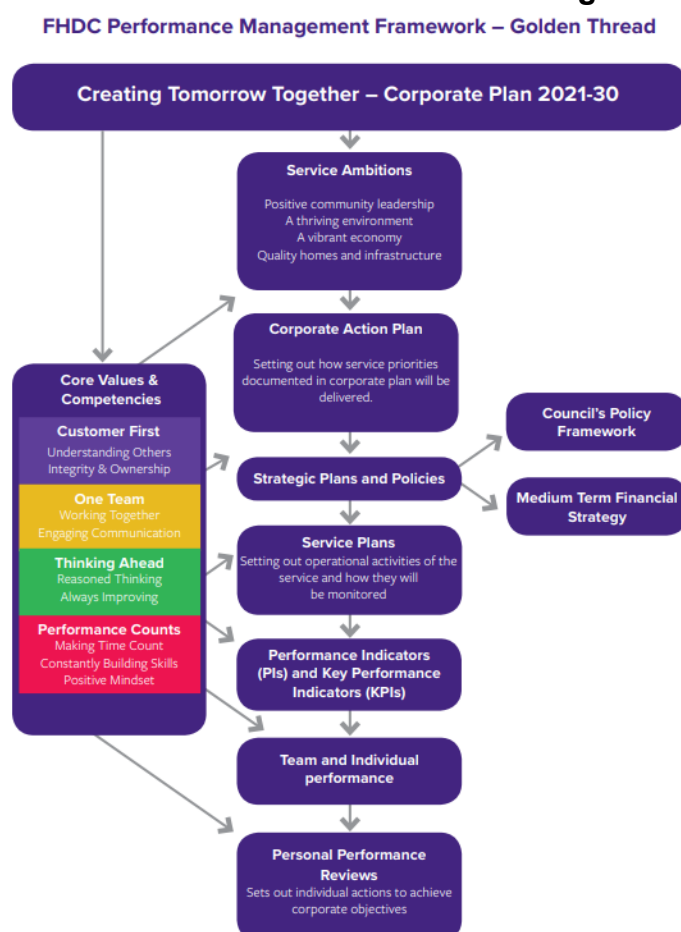
## **Transparency**

- 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 a public funded organisation is fully committed to principles of openness and accountability and has clearly articulated this as a Guiding Principle in its Corporate Plan. In line with the Transparency Code, the Council continues to publish on its website a series of data sets and information 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
  - Fraud - Information relating to the work we do countering fraud
  - Trade Union Facility Time

## 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. This matter is kept under review and a revised version of framework was considered by the Overview & Scrutiny Committee in June 2021 and approved by Cabinet in July 2021 (Report ref: C/21/25).

**Diagram 1: FHDC Golden Thread of Performance Management:**



- 3.13 The Council has recently enhanced its performance reporting procedures to Members. The new Finance & Performance Sub Committee and 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. The Customer Access Strategy takes into consideration customers' feedback to develop and implement plans to improve the way in which the Council delivers and receives day to day information about the services it provides. The strategy also sets out the Council's principles in delivering customer service for its residents.

In October 2022, the Council successfully re-applied for the Customer Service Excellence (CSE) accreditation. The accreditation is a Government standard developed to offer a practical tool for driving customer-focused change within organisations. The independent assessor was very impressed with the Council's ongoing commitment to customer service and awarded 16 compliance pluses for showing innovative practise, delivering a service that is over and above what the customer could normally expect and showing practise that could be usefully shared with other organisations. This is the highest number of compliance pluses we have been awarded in one go and continues to be great recognition for the service we provide.

## **Risk**

- 3.15 The Council's Risk Management Strategy (Adopted by Cabinet in March 2022, report ref: C/21/95) is reviewed on annual basis to reflect any changes in the Council's assessment of risk management matters. 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 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. This is a dynamic process with progress made against any required action in relation to the risks being reported to the Council's Corporate Leadership Team on a regular basis for review and action.
- 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 regularly to the Audit and Governance Committee. In addition the committee reviews the Council's Risk Policy and Strategy and Corporate Risk Register annually, ahead of these documents being presented to Cabinet for adoption. The latest edition of the Risk Policy and Strategy and Corporate Risk Register was considered by the Audit & Governance Committee on 15<sup>th</sup> March 2023 and then approved by Cabinet on

22<sup>nd</sup> March 2023 (Report ref: C/22/99). The latest version of the policy adopted a notable change in the monitoring of corporate risk:

The establishment of a Risk Management Group (RMG) that held its inaugural meeting in February 2023. The RMG is made up of Chief Officers & Assistant Directors who will meet on a quarterly basis to discuss emerging corporate risks and updates to risks already recorded on the Corporate Risk Register. The proposed amendments and additions will then be sent to the Corporate Leadership Team for their review.

- 3.18 Diagram 2 below provides an overview of the latest 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**

Risk Policy and Strategy	Corporate Risk Register	Operational Risk Registers	Partnership Risk Registers	Project Risk Registers
<ul style="list-style-type: none"> <li>• Annual Review by CLT</li> <li>• Annual Review by Cabinet</li> <li>• Annual Review by Audit &amp; Governance Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly review by CLT and RMG</li> <li>• Quarterly Review by Audit &amp; Governance Committee</li> <li>• Annual Review by Cabinet</li> <li>• Emerging/Changing risks highlighted by Directors and Chief Officers</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing: Maintained and reviewed by Managers, Chief Officers and Directors</li> <li>• Key Risks discussed at Portfolio Holder meetings.</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing – maintained and reviewed regularly by Partnership lead</li> <li>• Key risks discussed at Partnership Meetings</li> <li>• Annual review by CLT</li> <li>• Inclusion where relevant in Corporate Risk Register</li> <li>• Project Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing – maintained and reviewed regularly by Project Managers and CO / ADs</li> <li>• Key risks discussed at Portfolio Holder/Project Sponsor Meetings</li> <li>• Annual review by CLT of escalated risks</li> <li>• Annual review of key project risks by Cabinet and Audit &amp; Governance Committee</li> <li>• Inclusion where relevant in Corporate Risk Register</li> </ul>

## 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 2022/23 this responsibility was held by the Director of

Corporate Services. Directors, Chief Officers and Service Managers are responsible for the financial management of their service areas within the Council, which includes accurate forecasting and the effective monitoring of financial performance against budget considered throughout the year.

- 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 November 2022 and expresses the aims and objectives of various plans and strategies in financial terms over a four-year period ending 31<sup>st</sup> March 2026. The MTFS is a key element of sound corporate governance and financial management which is reviewed and agreed by Members on a regular basis.
- 3.22 In addition, the Finance & Performance Subcommittee recommended to Cabinet the adoption of the Treasury Management Strategy for the 2022/23 financial year at its meeting on 18<sup>th</sup> January 2022; Cabinet endorsed this at its subsequent meeting (report ref: C/20/64). A mid-year Treasury Management monitoring report was then presented to the Finance & Performance Sub Committee at its meeting on 18<sup>th</sup> January 2022 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.
- 3.23 Full Council consider annually the Investment Strategy and Capital Strategy by 31 March for the financial year ahead. These strategies consider the Council's service and commercial investments and capital expenditure, financing & treasury management, as well as Prudential Indicators. Full Council adopted the relevant strategies for 2022/23 on 23 February 2022 (report references: C/21/54 & C/21/71).
- 3.24 Regular budget monitoring took place in 2022/23 in order to manage the Council's net revenue budget. Regular meetings were held between officers and the Cabinet Portfolio Holders to discuss any specific budget issues and budget monitoring reports were presented to the Finance & Performance Sub Committee and Cabinet on a quarterly basis. It was appropriate to continue to have an additional focus on the Council's revenue budget monitoring during 2022/23 due to the unprecedented impacts of the pandemic on Council finances.
- 3.25 The level of reserve balances is reviewed annually in line with the budget setting process and is reported to Finance & Performance Sub Committee and Cabinet as part of the quarterly budget monitoring reports. The level of reserves currently held has been endorsed and reported by the S151 Officer as adequate and in line with the Council's Reserves Policy.

- 3.26 During the 2022/23 year the senior team was made aware of issues within the Housing service area regarding contract management and potential breaches of the Contract Standing Orders. These are now well progressed and anticipated to be concluded within the 2022/23 year. The Section 151 Officer has also commissioned an Internal Audit wider in scope exploring contract management across the Council to gain assurance that the issues identified are not prevalent. Further appropriate reports will be made to the Audit and Governance Committee, and appropriate reference has been made here in the 2022/23 Annual Governance Statement.

## **Partnership and Joint-working**

- 3.27 The Council is continuously looking at innovative solutions to deliver its range of services, including the processes associated with improving service delivery, the ongoing requirements to address the demand for and scale of services, and any associated income opportunities. This approach to service design ensures consideration is given to partnership working with other public bodies and local agencies, including identification of shared service opportunities where appropriate.
- 3.28 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. The Partnership Policy underwent review during the year with minor administrative changes being made to the policy that were agreed with the portfolio holder. The updated policy has now been published on the Council's website, staff intranet and communicated with all service leads.

## **Internal and External Audit**

### **Internal Audit**

- 3.29 The internal audit function for the Council is performed by the East Kent Audit Partnership (EKAP), which provides internal audit services to the councils of Canterbury, Dover, Folkestone and Thanet. As a result of this collaborative approach the partnership is able to provide a mechanism for promulgating best practice to the East Kent authorities that use its services. The East Kent Audit Partnership Internal Audit Team reports to the S151 Officer, the Director – Corporate Services. They operate under a Charter, which defines their relationship with officers, and the Audit and Governance Committee. Through their audit assurance work, internal audit provides an opinion on the effectiveness of the systems of internal control. As part of the annual review of governance arrangements and in particular the system of internal control, the Council undertakes an annual review of the effectiveness of the system of internal audit.

3.30 Internal Audit has responsibility to:

- Report on the level of assurance in respect of the Council's internal control systems; and
- Provide an overall independent annual Opinion from the Head of the Audit Partnership highlighting areas of concern. This is compiled from the Internal Audit work programme and a review of the Council's risk management and Corporate Governance arrangements.

3.31 The overall opinion of the System of Internal Controls in operation throughout 2022-23 based on the work of the East Kent Audit Partnership is presented in their annual report to the Governance and Audit Committee in July 2023:

- The internal auditors are independent to the management of the Council and have direct access to the Chair of the Governance and Audit if required. They provide a regular update to the Committee at each of the quarterly meetings and may attend any special meetings that may be convened during the year.
- As at 31 March 2023 the Internal Auditors completed 347.73 days of review equating to 99.35% of planned completion.
- The EKAP undertakes 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 2022-23.
- In March 2020 EKAP considered the Public Sector Internal Audit Standards (PSIAS) Checklist for compliance. The results of this self-assessment showed that internal audit is currently working towards full compliance and has agreed an action plan to achieve this. The lack of an External Quality Assessment (EQA) against the PSIAS is hereby disclosed as non-conformance in this Annual Governance Statement. The four S151 Officers acting as the EKAP Client Officer Group continue to be content to rely on the self-assessment process for the PSIAS and not commission an EQA.
- As part of EKAP's quality monitoring arrangements Members should be aware that following the completion of each audit, a satisfaction questionnaire is completed by the managers of the service that has been audited enabling the officers involved to comment on the conduct and outcome of the audit. This information is used, in part, to inform the self-assessment and continuous improvement.

### **External Audit**

3.32 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.

- 3.33 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.
- 3.34 The Council in the final stages of concluding its 2020/21 and 2021/22 accounts and audit process and this culminated in the final external audit opinion being presented to the Council at the Audit and Governance Committee meeting in March 2023. It is confirmed that the Council has received an unqualified audit opinion for both years and final details and sign off arrangements are being concluded.

### **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; and
- invoke disciplinary proceedings and further action as appropriate.

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. This framework has now been reviewed and updated by the S151 Officer and Monitoring Officer in 2022/23. Furthermore, the comprehensive training on Anti-Fraud and Corruption was provided to all staff on 24 January 2023 with an additional session for Grounds Maintenance staff held on 7<sup>th</sup> March 2023.

- 3.35 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; and
- 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; and
- 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.

## **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.
- The Council continues to seek external specialist advice when appropriate on some of our large projects, including Otterpool Park and other major council schemes.

## **5 HOUSING SERVICE**

- 5.1 In 2022 the Housing Service has been preparing to meet the revised consumer regulations that the Regulator of Social Housing will be introducing and monitoring from 2024. The Housing Service reported compliance on the six key Health & Safety areas of; fire, water, electrical safety, asbestos and lifts. We continue to monitor an extensive set of KPIs, reported monthly to the Housing Leadership Team. Data is scrutinised quarterly by the Corporate Leadership Team (CLT) and the Strategic Tenants Advisory Panel (STAP), and published on the Council's website, so that we report back to our council tenants on performance of the housing service.

The Housing Service is embedding an internal governance process focused on continuous service improvement. As part of this, and as a recommendation from internal audits, in 2022 we provided detailed training on Financial Procedure Rules and Contract Standing Orders to all staff working in the Asset Management section and other departments where staff are responsible for procuring and supervising contracts.

The team has responded to new legislation, i.e. the Charter for Social Housing Residents (White paper), by introducing a Tenant Engagement Strategy which included setting up the STAP as the senior level tenant-led scrutiny panel that contributes to the way the Council monitors and delivers service improvement. In response to changes in the Regulator of Social Housing consumer standards, we are now using the new Tenant Satisfaction Measures to undertake surveying of tenants to determine levels of satisfaction with various aspects of the housing service. We will also be carrying out more perception and transactional surveys, and using the feedback from tenants to inform the continuous improvement plan. The Council's housing service is also now continuing to improve benchmarking capabilities through HouseMark (industry leaders for the housing sector), to ensure the provision of a good, cost-effective and financially viable services. This will include a focus on health & safety, keeping tenants safe and secure in their homes, and continuing to invest in new energy efficient measures, retrofitting council homes in the coming year.



## 6 OTTERPOOL PARK LLP

- 6.1 The LLP was established on 27 May 2020. The LLP will act as master developer for Otterpool Park. As such, it is envisaged that the LLP will secure planning permissions and put in place infrastructure in order that parcels of land can be sold to housebuilders. This will be the main focus of activity and generator of value, i.e. income to the LLP and in due course financial return to the council. The main documents and mechanisms governing the relationship between the Council and the LLP are:
- The Members' (or Owners') Agreement approved on 27 May 2020 and updated on 20 October 2021 (Cabinet Report ref C/21/41).
  - A single overarching Strategic Land Agreement;
  - Related agreements including the Phased Delivery Strategy governing the transfer of land from the Council to the LLP (or other parties) pursuant to the Strategic Land Agreement;
  - Legal instruments in relation to loans / members' equity;
  - Loan agreements in relation to funds provided to the LLP by the Council as debt; and
  - The Business Plan agreed with the Council (it is a requirement of the Members' (or Owners') Agreement that every 5 years, the LLP submits its proposed business plan to the Council for approval).
- 6.2 Regular meetings (at least quarterly) between the Council and the LLP Board are held and provide opportunity for dialogue and assessment of progress against the approved Business Plan, including detailed consideration of financial matters and project risks. Attendees at these meetings are the nominated representatives, which include elected Members and the statutory officers of the Council as agreed by Cabinet (see Minute 6 of Cabinet meeting 27 May 2020 report ref C/20/02).
- 6.3 An Assurance Framework has been established by the Council's Statutory Officers, which will support the delivery of the Otterpool Park LLP business plan. The framework is designed to guide the consideration of corporate governance and matters arising and will be reported to Members as required. The framework is scheduled for review on a 6 monthly basis to ensure it is aligned with the Otterpool Park LLP business plan and Council decisions.
- 6.4 Cabinet considered the first Business Plan of the LLP on 20 January 2021. The Business Plan included a draft vision document which set out the aspirations of the LLP for the development and which captures the essence of the scheme. The vision document drew on a range of Council documents, primarily the Charter for Otterpool Park (report ref C/17/49). In November 2019, Full Council determined to *"To make available an additional one*

*hundred million pounds to be drawn down over a period of up to five years to enable the Otterpool Park project to proceed.”, (report ref A/19/17).*

- 6.5 The first annual update on the Business Plan was approved by Cabinet in January 2022 (Report ref C/21/70). A presentation on an early draft of the second annual update to the Business Plan was considered by Overview and Scrutiny Committee on 8 November 2022. Subsequent to this Cabinet received an update on 19 April 2023 (Report ref C/22/109) which and noted ongoing due diligence and a financial assessment of the updated Business Plan (with input from external specialist advisors). The outcome of this work will be a robust assessment which will support Members’ decision making on this matter. It is intended that a report will be further considered by OSC, Cabinet and Council as soon as practicable.
- 6.6 In line with the terms of the Members’ Agreement, at its meeting of 20 October 2022, Cabinet agreed to the establishment of a stewardship vehicle as a Limited Liability Partnership and as a subsidiary of Otterpool Park LLP (Report ref C/22/46). It was noted that a further report will be presented to Cabinet with more detail on the assets proposed to be transferred to the vehicle, the treatment of assets, and funding model supported in a detailed business plan.

## **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 2023 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 of the framework requiring attention.

During the year 2021/22 year, the senior team was made aware of potential breaches of the Council’s Financial Procedure Rules and Contract Standing Orders. These matters were highlighted, largely, through regular routine checks made by the procurement and finance teams. The potential breaches were thoroughly investigated, and the findings were reported formally to the Audit and Governance committee in December 2022. As a result of the issues identified during the investigations, a Governance action log has prepared by the three statutory officers in order to address the weaknesses identified and to strengthen Governance procedures and processes.

- 7.2 Set out in Appendix 1 is the current action plan outlining the steps the Council proposes to take over the coming year to further enhance our governance arrangements. This action plan will be kept under review through the year and updated as appropriate.

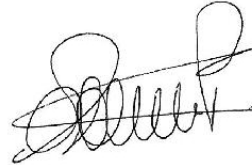
7.3 The findings of the annual review of the governance framework will be reported to Members of the Audit and Governance Committee on 20<sup>th</sup> July 2023.

Signed:

A handwritten signature in black ink, appearing to read 'Tim Prater', with a long horizontal stroke extending to the left.

Cllr Tim Prater  
Deputy Leader of the Council and  
Cabinet Member for Finance and  
Governance

Signed:

A handwritten signature in black ink, appearing to read 'Susan Priest', with a large loop at the top and a horizontal stroke at the bottom.

Dr Susan Priest  
Chief Executive

Date: 7<sup>th</sup> July 2023

**APPENDIX 1: Action plan for improvement following review of effectiveness of governance arrangements 2023-24**

	<b>Action</b>	<b>Who</b>	<b>Date</b>
<b>1</b>	<p><b>Annual Review of Corporate Governance</b></p> <p>At the end of the year, the Council will produce its statement on governance, which includes end of year assurance statements by Directors, Assistant Directors/Chief Officers and internal audit's opinion report.</p>	Monitoring Officer	May 2024
<b>2</b>	<p><b>Governance Arrangements</b></p> <p>To keep under review the Council's governance arrangements, making any necessary improvements in response to the reported potential breaches that are investigated throughout the year.</p>	Monitoring Officer	March 2024
<b>3</b>	<p><b>Data Retention Policy and General Data Protection Regulation</b></p> <p>To keep under review, the Data retention policy and the new General Data Protection Policy ensuring Officers and Members of the Council are aware of their responsibilities.</p>	Monitoring Officer	March 2024
<b>4</b>	<p><b>Review of the Overview &amp; Scrutiny Committee function</b></p> <p>To keep under review the governance and working arrangements of the committee.</p>	Monitoring Officer	Ongoing
<b>5</b>	<p><b>Financial Management Code</b></p> <p>Raise awareness in the organisation of the CIPFA Statement of Principles of Good Financial Management.</p>	Chief Financial Services Officer & Monitoring Officer	December 2023
<b>6</b>	<p><b>Develop temporary corporate policy compliance function</b></p> <p>To provide independent oversight and ensure that compliance with key corporate policies is monitored and reported to senior management team.</p>	Corporate Finance Director	August 2023

<b>7</b>	<p><b>Corporate Policy Training</b></p> <p>Maintain corporate policy training programme and staff understanding of corporate expectations, roll out to new recruits.</p>	Chief HR Officer	Ongoing
<b>8</b>	<p><b>Corporate Governance Group</b></p> <p>Establish Corporate Governance Group to strengthen internal assurance and compliance with corporate policies.</p> <p>Monitor staff surveys and conduct programme of spot checks to ensure that new training and processes to strengthen declarations, management of and conflicts of interest, and adherence to procurement policy are monitored and corporate expectations embedded.</p>	<p>Corporate Finance Director</p> <p>Corporate Governance Group</p>	<p>July 2023</p> <p>In place July 2023</p>
<b>9</b>	<p><b>Development of the new Programme Management Office Function</b></p> <p>Continue to develop the Programme Management approach across all of the Council's major projects to provide standardised reporting, consistency and governance oversight across all projects.</p> <p>.</p>	Chief Officer Corporate Estate & Development	March 2024