



Council Meeting

**Council Offices
White Cliffs Business Park
Dover**

Wednesday, 19 July 2017

Summons and Agenda

Nadeem Aziz
Chief Executive



Democratic Services
White Cliffs Business Park

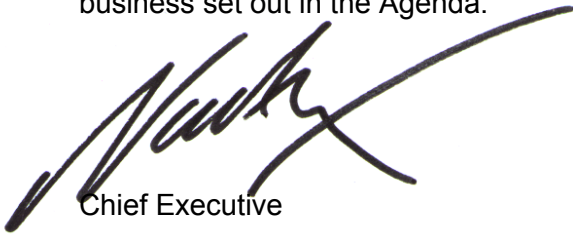
Dover
Kent CT16 3PJ

Telephone: (01304) 821199
Fax: (01304) 872452
DX: 6312
Minicom: (01304) 820115
Website: www.dover.gov.uk
e-mail: democraticservices@dover.gov.uk

11 July 2017

To the Members of the Council,

You are hereby summoned to attend a meeting of the **COUNCIL** to be held in the Council Chamber at these Offices on Wednesday 19 July 2017 at 6.00 pm for the transaction of the business set out in the Agenda.



Chief Executive

Members of the Council:

S S Chandler (Chairman)	N Dixon	S C Manion
D Hannent (Vice-Chairman)	M R Eddy	K Mills
J S Back	A Friend	K E Morris
S F Bannister	R J Frost	D P Murphy
T J Bartlett	B Gardner	A M Napier
P M Beresford	B J Glayzer	M J Ovenden
T A Bond	P J Hawkins	A S Pollitt
P M Brivio	P G Heath	G Rapley
B W Butcher	J M Heron	N A G Richards
P I Carter	M J Holloway	M Rose
N J Collor	S J Jones	D A Sargent
M D Conolly	L A Keen	F J W Scales
M I Cosin	N S Kenton	P Walker
G Cowan	P S Le Chevalier	P M Wallace
D G Cronk	S M Le Chevalier	P A Watkins

AGENDA

1 **APOLOGIES**

To receive any apologies for absence.

2 **MINUTES** (Pages 7 - 14)

To confirm the attached Minutes of the Annual Meeting held on 17 May 2017.

3 **DECLARATIONS OF INTEREST** (Page 15)

To receive any declarations of interest from Members in respect of business to be transacted on the agenda.

4 **ANNOUNCEMENTS**

To receive any announcements from the Chairman, Leader, Members of the Cabinet or Head of Paid Service.

5 **RIVEROAK STRATEGIC PARTNERS PRESENTATION**

To receive a presentation from River Oak Strategic Partners on their proposals for the reopening of Manston Airport.

6 **LEADER'S TIME**

To receive an oral report at the meeting from the Leader (and Cabinet) on the business of the Executive or on any topic or subject that it is felt should be brought to the attention of the Council.

In accordance with Council Procedure Rule 10 (Leader's Time):

- (a) The Leader (and Cabinet) shall have up to 15 minutes to make within this report any statements that they wish on any topic or subject that they feel should be drawn to the attention of the Council.
- (b) The Leader (or their nominee) of the Major Opposition Group (Labour Group) shall be allowed up to 10 minutes to respond.
- (c) The Leader (or their nominee) of the Other Opposition Group (UKIP Group) shall be allowed up to 5 minutes to respond.
- (d) The Leader of the Council shall be allowed up to 5 minutes to exercise a right of reply (or 25% of the time given to the Opposition Group Leaders, whichever is the greatest).

7 **SEAT ALLOCATION AND GROUP APPOINTMENTS**

To receive from Group Leaders any changes to seat allocations or appointments.

(Note: Any changes must be within the approved allocation of seats to political groups in accordance with the political balance rules (where applicable).)

8 **QUESTIONS FROM THE PUBLIC**

To receive answers in respect of questions from the public to Members of the Executive asked in accordance with Rule 11 of the Council Procedure Rules.

There were no questions from the public received within the notice period.

9 **QUESTIONS FROM MEMBERS** (Pages 16 - 18)

Up to 60 minutes is allowed for this part of the meeting unless extended by the

Chairman of Council on a motion moved, duly seconded and approved by the Council. Members may ask one supplementary question in addition to their original question.

(a) To Chairmen/Vice-Chairmen of Committees

There were no questions received for Chairmen/Vice-Chairmen of Committees.

(b) To the Executive

To receive answers in respect of questions from Members of the Council to a Member of the Executive asked in accordance with Rule 12 of the Council Procedure Rules.

The questions are set out in the agenda papers.

10 **APPOINTMENT OF INDEPENDENT PERSONS** (Pages 19 - 24)

To consider the attached report of the Director of Governance.

11 **AMENDMENTS TO THE CALENDAR OF ORDINARY MEETINGS 2017/18**
(Pages 25 - 26)

To consider the attached report of the Director of Governance.

12 **ANNUAL GOVERNANCE ASSURANCE STATEMENT AND REVISED CORPORATE GOVERNANCE LOCAL CODE 2016/17** (Pages 27 - 88)

To consider the attached report of the Director of Governance.

13 **TREASURY MANAGEMENT YEAR-END REPORT** (Pages 89 - 103)

To consider the attached report of the Director of Finance, Housing and Community.

14 **TREASURY MANAGEMENT STRATEGY**

To consider the report of the Director of Finance, Housing and Community (to follow).

15 **MOTIONS**

Motions for which notice has been given are listed on the agenda in the order in which notice was received, unless the Member giving notice states, in writing, that they propose to move it at a later meeting or withdraw it.

If a Motion set out in the agenda is not moved by the Member who gave notice thereof it shall, unless postponed by consent of the Council, be treated as withdrawn and shall not be moved without fresh notice.

A Motion must be about matters for which the Council has powers or duties or which affects the District.

- (a) In accordance with Council Procedure Rule 13, Councillor B J Glayzer will move:

“This council calls upon the Portfolio Holder for Access and Licensing to open negotiations with Kent County Council around stagecoach requirements for use of seat belt fastenings on public sector bus services. It has come to this council’s attention in the district of recent cases of public users been thrown from their seating. To bring inline, private sector coach companies are required by law and confined to the road traffic act laws RTA 1988 section 14/15 of the Highway Code.”

(b) In accordance with Council Procedure Rule 13, Councillor M R Eddy will move:

“Following the discovery by the Conservative government of the “magic money tree”, this council will press the two local MPs to seek the same level of funding per head for residents in Dover district, as will now be enjoyed by the people of Northern Ireland.”

16 **URGENT BUSINESS TIME**

To consider any other items deemed by the Chairman of the Council to be urgent in accordance with the Local Government Act 1972.

Access to Meetings and Information

- Members of the public are welcome to attend meetings of the Council, its Committees and Sub-Committees. You may remain present throughout them except during the consideration of exempt or confidential information.
- All meetings are held at the Council Offices, Whitfield unless otherwise indicated on the front page of the agenda. There is disabled access via the Council Chamber entrance and a disabled toilet is available in the foyer. In addition, there is a PA system and hearing loop within the Council Chamber.
- Agenda papers are published five clear working days before the meeting. Alternatively, a limited supply of agendas will be available at the meeting, free of charge, and all agendas, reports and minutes can be viewed and downloaded from our website www.dover.gov.uk. Minutes will be published on our website as soon as practicably possible after each meeting. All agenda papers and minutes are available for public inspection for a period of six years from the date of the meeting.
- If you require any further information about the contents of this agenda or your right to gain access to information held by the Council please contact Rebecca Brough, Team Leader - Democratic Support, telephone: (01304) 872304 or email: rebecca.brough@dover.gov.uk for details.

Large print copies of this agenda can be supplied on request.

MINUTES OF PROCEEDINGS

At the Annual Meeting of the Council for the District of Dover held at the Council Offices, Whitfield on Wednesday, 17 May 2017 at 6.00 pm.

Present:

Chairman: Councillor S S Chandler

Councillors:

J S Back	A Friend	K Mills
S F Bannister	R J Frost	K E Morris
T J Bartlett	B Gardner	A M Napier
P M Beresford	B J Glayzer	M J Ovenden
T A Bond	D Hannent	A S Pollitt
P M Brivio	P J Hawkins	G Rapley
B W Butcher	P G Heath	N A G Richards
P I Carter	J M Heron	M Rose
N J Collor	M J Holloway	D A Sargent
M D Conolly	S J Jones	F J W Scales
M I Cosin	L A Keen	P Walker
G Cowan	N S Kenton	P M Wallace
D G Cronk	P S Le Chevalier	P A Watkins
M R Eddy	S M Le Chevalier	

Officers:

- Chief Executive
- Director of Environment and Corporate Assets
- Director of Finance, Housing and Community
- Director of Governance
- Head of Democratic Services
- Team Leader – Democratic Support

1 ELECTION OF A CHAIRMAN

In the absence of the Chairman at the commencement of the meeting, the Vice-Chairman called for nominations for the position of Chairman of the Council for the ensuing municipal year 2017/18.

It was moved by Councillor M R Eddy and duly seconded, that Councillor D G Cronk be elected Chairman of Dover District Council for the ensuing municipal year 2017/18.

It was moved by Councillor M D Conolly and duly seconded, that Councillor S S Chandler be elected Chairman of Dover District Council for the ensuing municipal year 2017/18.

On being put to the meeting it was:

RESOLVED: That Councillor S S Chandler be elected Chairman of Dover District Council for the ensuing municipal year 2017/18.

(Councillor S S Chandler, who had not been present at the meeting prior to the vote being taken, entered the Council Chamber and, having made her declaration of acceptance of office, took the chair.)

2 APPOINTMENT OF A VICE-CHAIRMAN

The Chairman called for nominations for the position of Vice-Chairman for the ensuing municipal year 2017/18.

It was moved by Councillor M R Eddy and duly seconded, that Councillor M I Cosin be elected Vice-Chairman of Dover District Council for the ensuing municipal year 2017/18.

It was moved by Councillor J S Back and duly seconded, that Councillor D Hannent be elected Vice-Chairman of Dover District Council for the ensuing municipal year 2017/18.

On being put to the meeting it was

RESOLVED: That Councillor D Hannent be appointed Vice-Chairman of the Dover District Council for the ensuing municipal year 2017/18.

(On being elected, Councillor D Hannent made his declaration of acceptance of office.)

3 APOLOGIES

Apologies for absence were received from Councillors N Dixon, S C Manion and D P Murphy.

4 MINUTES

The Minutes of the meetings held on 1 March 2017 and 22 March 2017 were approved as a correct record and signed by the Chairman.

5 DECLARATIONS OF INTEREST

There were no declarations of interest made by Members.

6 ANNOUNCEMENTS

The Chairman of the Council, Councillor S S Chandler, made the following announcement:

- (a) To welcome Councillors A Napier (Maxton, Elms Vale & Priory Ward) and N A G Richards (Buckland Ward) and congratulate them on their election to the Council.

The Leader of the Council, Councillor P A Watkins, made the following announcement:

- (a) To congratulate the newly elected Kent County Council members for the Dover District Divisions and thank those Members who lost their seats at the election for their contribution.

7 APPOINTMENT OF CABINET

The Leader of the Council advised that he had made no changes to the number of members of the Cabinet or to the portfolios.

RESOLVED: That in accordance with the notice provided by the Leader, it be noted that Cabinet would comprise of the following for the ensuing municipal year 2017/18:

1	Leader of the Council	Councillor P A Watkins
2	Deputy Leader of the Council	Councillor M D Conolly
3	Access and Licensing	Councillor N J Collor
4	Environment, Waste and Planning	Councillor N S Kenton
5	Housing, Health and Wellbeing	Councillor P M Beresford
6	Corporate Resources and Performance	Councillor M D Conolly
7	Skills, Training, Tourism, Voluntary Services and Community Safety	Councillor K E Morris
8	Property Management and Public Protection	Councillor T J Bartlett

8 APPOINTMENT OF SHADOW CABINET

Councillor M R Eddy, Leader of the Main Opposition, gave notice of the composition of the Shadow Cabinet for the ensuing municipal year.

RESOLVED: That in accordance with the notice provided by the Leader of the Main Opposition Group, the Shadow Cabinet would comprise of the following for the ensuing municipal year:

1	Leader of the Opposition	Councillor M R Eddy
2	Deputy Leader of the Opposition	Councillor P M Brivio
3	Access and Licensing	Councillor S F Bannister
4	Environment, Waste and Planning	Councillor B Gardner
5	Housing, Health and Wellbeing	Councillor P M Brivio
6	Corporate Resources and Performance	Councillor P M Wallace
7	Skills, Training, Tourism, Voluntary Services and Community Safety	Councillor P Walker
8	Property Management and Public Protection	Councillor S J Jones

9 THE STANDARDS COMMITTEE

The Director of Governance presented the report on the proposal that the Council no longer appointed a separate Standards Committee and that its functions be transferred to the Governance Committee instead.

Members were advised that the report had been considered and endorsed by the Governance Committee at its meeting held on 6 April 2017.

It was moved by Councillor P G Heath, duly seconded and

- RESOLVED:
- (a) That, as from the 2017 Annual Meeting of the Council, the Council no longer appoints a separate Standards Committee.
 - (b) That, with effect from the 2017 Annual Meeting of the Council, the functions of the Standards Committee be transferred to the Governance Committee and the revised functions as described at Appendix 1 be adopted and incorporated into the Council's Constitution.
 - (c) That, with effect from the 2017 Annual Meeting of the Council, the membership of the Governance Committee be increased from 6 to 7 members.
 - (d) That the Director of Governance be authorised to make consequential textual changes to the Council's Constitution to remove references to the Standards Committee and where appropriate replace with reference to the Governance Committee.

10 ESTABLISHMENT AND COMPOSITION OF COMMITTEES

It was moved by Councillor P A Watkins, duly seconded and

- RESOLVED:
- (a) That the Dover Joint Transportation Board and the 2 Overview and Scrutiny Committee be considered as Ordinary Committees for the purposes of calculating the allocation of seats for political groups.
 - (b) That a Licensing Committee be appointed with 15 seats and, whilst noting the duty to ensure political proportionality does not apply to the Licensing Committee, its seats be allocated to reflect the proportionality of the Council.
 - (c) That, having noted the allocation of seats calculated in accordance with the provisions of the Local Government and Housing Act 1989, the Council Committees be constituted as indicated below for the ensuing municipal year and the Boards and Forums be constituted with the membership, Chairman, Vice-Chairman and Spokespersons as shown:

Dover Joint Transportation Board

J S Back
D G Cronk
A Friend
M J Holloway
M J Ovenden
D A Sargent

East Kent Services Committee

P A Watkins
M D Conolly
N J Collor (Substitute)
K E Morris (Substitute)

Dover Joint Transportation Board (continued)

P Walker

7 Kent County Council Division Members for the Dover District

3 Town Council Representatives (non-voting)

2 Kent Association of Local Councils Representatives (non-voting)

Electoral Matters Committee

P A Watkins Chairman
S S Chandler Vice-Chairman
P M Brivio
M R Eddy
F J W Scales

General Purposes Committee

S M Le Chevalier Chairman
M D Conolly Vice-Chairman
P M Brivio
M R Eddy
D P Murphy

Governance Committee

P G Heath Chairman
D Hannent Vice-Chairman
B W Butcher
P I Carter
M I Cosin
M R Eddy
S J Jones

Joint Health, Safety and Welfare
Consultative Forum

M D Conolly
M I Cosin
P G Heath
S M Le Chevalier
K Mills
5 Staff Representatives

Joint Staff Consultative Forum

M D Conolly
M I Cosin
P G Heath
S M Le Chevalier
K Mills
5 Staff Representatives

Licensing Committee

B W Butcher
S F Bannister
P M Brivio
D G Cronk
B Gardner
B J Glayzer
D Hannent
M J Holloway
P S Le Chevalier
S M Le Chevalier
A M Napier
M J Ovenden
D P Murphy
N A G Richards
M Rose

Planning Committee

F J W Scales Chairman
B W Butcher Vice-Chairman
J S Back
T J Bartlett
T A Bond
D G Cronk
B Gardner Spokesperson
D P Murphy
G Rapley
P M Wallace

Regulatory Committee

B W Butcher Chairman
P S Le Chevalier Vice-Chairman
D P Murphy
B Gardner
S J Jones

<u>Scrutiny (Community & Regeneration) Committee</u>		<u>Scrutiny (Policy & Performance) Committee</u>	
L A Keen	Chairman	K Mills	Chairman
G Cowan	Vice-Chairman	M I Cosin	Vice-Chairman
T A Bond	Spokesperson	T A Bond	
P I Carter		R J Frost	Deputy Spokesperson
N Dixon			
R J Frost		B J Glayzer	
P J Hawkins		J M Heron	
M J Ovenden	Deputy Spokesperson	M J Holloway	
		S C Manion	Spokesperson
G Rapley		M Rose	
N A G Richards		D A Sargent	

(The Licensing Committee, the Joint Health, Safety and Welfare Consultative Forum and the Joint Staff Consultative Forum each appoint its own Chairman and Vice-Chairman. The Vice-Chairman of the Dover Joint Transportation Board is appointed by the Cabinet.)

- (d) That, in accordance with the notice provided by the relevant Group Leaders, it be noted that the following Lead Members and Shadow Lead Members had been appointed for the ensuing municipal year 2017/18:

	<u>Portfolio</u>	<u>Conservative</u>	<u>Labour</u>
1	Leader of the Council	M J Holloway	-
2	Deputy Leader	-	-
3	Access and Licensing	T A Bond	D Cronk
4	Environment, Waste and Planning	R J Frost	N A G Richards
5	Housing, Health and Wellbeing	M Rose	P J Hawkins
6	Corporate Resources and Performance	D P Murphy	G Cowan
7	Skills, Training, Tourism, Voluntary Services and Community Safety	N Dixon	A M Napier
8	Property Management and Public Protection	J S Back	M I Cosin

11 CALENDAR OF ORDINARY MEETINGS 2017/18

The Team Leader – Democratic Support presented the report on the Calendar of Ordinary Meetings 2017/18.

Members were advised that the outgoing Chairman of the Dover Joint Transportation Board had asked that the dates of the meetings for 2017/18 be reviewed as on 3 occasions they were held on the same day as the meetings of the full Council of Kent County Council. The Team Leader – Democratic Support

advised that the matter would be the subject of a further report to a future meeting of Council.

It was moved by Councillor P A Watkins, duly seconded and

RESOLVED: That the Calendar of Ordinary Meetings for 2016/17 as set out in Appendix 1 be approved and adopted.

12 ANNUAL REPORT OF THE STANDARDS COMMITTEE 2016/17

It was moved by Councillor B W Butcher, duly seconded and

RESOLVED: That the Annual Report of the Standards Committee be noted.

13 ANNUAL REPORT OF THE GOVERNANCE COMMITTEE 2016/17

It was moved by Councillor P G Heath, duly seconded and

RESOLVED: That the Annual Report of the Governance Committee be noted.

14 ANNUAL REPORT ON SCRUTINY 2016/17

It was moved by Councillor K Mills, duly seconded and

RESOLVED: That the Annual Report of Overview and Scrutiny be noted.

15 PROPOSAL FOR A REVIEW OF ELECTORAL ARRANGEMENTS BY THE LOCAL GOVERNMENT BOUNDARY COMMISSION FOR ENGLAND

The report of the Chief Executive set out the options and process for requesting a Council Size Review from the Local Government Boundary Commission for England.

Members were advised by the Head of Democratic Services that the Electoral Matters Committee at its meeting held on 16 May 2017 had moved an amendment to the recommendations in the report to change the indicative size figure from '30-35 Councillors' to 'around 35 councillors'.

It was moved by Councillor P A Watkins, duly seconded and

RESOLVED: (a) That the Local Government Boundary Commission for England be requested to proceed with an Electoral Review of Dover District Council in 2017.

(b) That an indicative size of council membership of around 35 be adopted for submission to the Local Government Boundary Commission for England.

- (c) That at the same time as conducting an Electoral Review the Local Government Boundary Commission for England be requested to undertake a Principal Area Boundary Review with a view to removing the anomaly of the village of Capelle-Ferne being divided between the areas of Dover District Council and Shepway District Council. This anomaly would be resolved through reallocating a limited number of properties (around 20) between the Battle of Britain Memorial and The Valiant Sailor public house into the area of Dover District Council and consequential amendments to the County and Parish Boundary.

16 URGENT BUSINESS TIME

There were no items of urgent business.

The meeting ended at 6.28 pm

Declarations of Interest

Disclosable Pecuniary Interest (DPI)

Where a Member has a new or registered DPI in a matter under consideration they must disclose that they have an interest and, unless the Monitoring Officer has agreed in advance that the DPI is a 'Sensitive Interest', explain the nature of that interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a DPI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation permitting them to do so. If during the consideration of any item a Member becomes aware that they have a DPI in the matter they should declare the interest immediately and, subject to any dispensations, withdraw from the meeting.

Other Significant Interest (OSI)

Where a Member is declaring an OSI they must also disclose the interest and explain the nature of the interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a OSI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation to do so or the meeting is one at which members of the public are permitted to speak for the purpose of making representations, answering questions or giving evidence relating to the matter. In the latter case, the Member may only participate on the same basis as a member of the public and cannot participate in any discussion of, or vote taken on, the matter and must withdraw from the meeting in accordance with the Council's procedure rules.

Voluntary Announcement of Other Interests (VAOI)

Where a Member does not have either a DPI or OSI but is of the opinion that for transparency reasons alone s/he should make an announcement in respect of a matter under consideration, they can make a VAOI. A Member declaring a VAOI may still remain at the meeting and vote on the matter under consideration.

Note to the Code:

Situations in which a Member may wish to make a VAOI include membership of outside bodies that have made representations on agenda items; where a Member knows a person involved, but does not have a close association with that person; or where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position. It should be emphasised that an effect on the financial position of a Member, relative, close associate, employer, etc OR an application made by a Member, relative, close associate, employer, etc would both probably constitute either an OSI or in some cases a DPI.

COUNCIL – 19 JULY 2017

Questions Raised on Notice by Members

(a) To Chairmen/Vice-Chairmen of Committees

There were no questions received for Chairmen/Vice-Chairmen of Committees.

(b) To the Executive

To receive answers in respect of questions from Members of the Council to a Member of the Executive asked in accordance with Rule 12 of the Council Procedure Rules.

- (1) Councillor S F Bannister will ask the Portfolio Holder for Environment, Waste and Planning, Councillor N S Kenton:

“Given that Cllr Walker has asked questions in the past about matters concerning Lydden Racing Circuit plans and conditions and that Cllr Ovenden has striven hard over the same issues for some considerable time, what progress has been made by this council to be proactive with respect to planning, enforcing conditions and enforcing the Noise Abatement Notice?”

- (2) Councillor J M Heron will ask the Portfolio Holder for Property Management and Public Protection, Councillor T J Bartlett:

"At the Planning meeting on 25th May there was a consensus between the committee, residents of the area and the DSK volunteers that the soup kitchen should only be based in Adrian Street on a very short-term basis and a new permanent home for the DSK should be found in an alternative car park, most likely Ladywell. What actions are this council taking to listen to that advice and find a new home before the six month planning permission expires?"

- (3) Councillor P M Brivio will ask the Portfolio Holder for Environment, Waste and Planning, Councillor N S Kenton:

“It is a long time since the Leader promised to look into a revised housing policy for DDC after a motion was withdrawn concerning percentages of “affordable housing”, and “high-end housing” so when will this begin to happen?”

- (4) Councillor D A Sargent will ask the Portfolio Holder for Housing, Health and Wellbeing, Councillor P M Beresford:

“Further to the response received from the former government housing minister's office with regards to this Council's motion on regulation of the private rental sector, does the Portfolio Holder for Housing, Health and Wellbeing agree with him that only a minority of landlords do not maintain their properties to acceptable standards?”

- (5) Councillor N A G Richards will ask the Portfolio Holder for Housing, Health and Wellbeing, Councillor P M Beresford:

“With our thoughts focussed by the tragic fire at Grenfell tower and the failings of Royal Borough of Kensington and Chelsea council can the Portfolio Holder for Housing, Health and Wellbeing assure our tenants that our fire policies, procedures and risk assessments are robust, up to date and actioned on?”

- (6) Councillor P M Brivio will ask the Portfolio Holder for Environment, Waste and Planning, Councillor N S Kenton:

“Can the Portfolio holder for Environment, Waste and Planning advise when the relevant statutory powers will be used to take action against the shop owners of the near derelict shops in Biggin Street (eg. Vodaphone and Claire's accessories premises) which are of such concern to local people and a blight on our High Street?”

- (7) Councillor M R Eddy will ask the Portfolio Holder for Access and Licensing, Councillor N J Collor:

“Can the Portfolio Holder for Access and Licensing give an update on any proposals to install electric charging points in local car parks?”

- (8) Councillor P M Brivio will ask the Portfolio Holder for Access and Licensing, Councillor N J Collor:

“Can the Portfolio Holder for Access and Licensing advise if the council has made a formal response to the Stagecoach consultation, which is going to have such a dramatic effect on bus services in the district, particularly rural areas?”

- (9) Councillor B Gardner will ask the Portfolio Holder for Access and Licensing, Councillor N J Collor:

“With the Cabinet exploring the closure of the Council helpdesk in Deal Library so that the residents of the Deal area will have to travel over to Whitfield to see Council staff, and bearing in mind that the Council is considering building the District Leisure Centre on land at Whitfield, does the portfolio holder share my concerns at the announcement that Stagecoach is considering cutting back on the number 12 bus service that links Deal and Walmer to Whitfield?”

- (10) Councillor B Gardner will ask the Portfolio Holder for Environment, Waste and Planning, Councillor N S Kenton:

“Would the Portfolio Holder for Environment, Waste and Planning be kind enough to explain why the viability report for the Hamill Brickworks site which came into this building last September was kept hidden from councillors until only seven days before the application came to Committee in May?”

- (11) Councillor P J Hawkins will ask the Portfolio Holder for Property Management and Public Protection, Councillor T J Bartlett:

“Can the portfolio holder for Property Management and Public Protection give an update on finding a partner to bring the Regent Cinema back into use?”

- (12) Councillor P M Wallace will ask the Portfolio Holder for Corporate Resources and Performance, Councillor M D Conolly:

“At the Extraordinary Council meeting on 22 March 2017 Councillor Mike Connolly said there was "no alternative and there will be no Plan B" if the proposed merger of the 'super council' did not go ahead. Will there now be a Plan B?”

- (13) Councillor B Gardner will ask the Portfolio Holder for Property Management and Public Protection, Councillor T J Bartlett:

“Last month a letter was sent to residents who own a memorial bench advising them of council policy, which many found upsetting and poorly worded. What will the Portfolio Holder for Property Management and Public Protection do to assess and improve the process for writing and approving such letters so we can ensure this does not happen again?”

Subject:	APPOINTMENT OF INDEPENDENT PERSONS
Meeting and Date:	COUNCIL – 19 JULY 2017
Report of:	DIRECTOR OF GOVERNANCE & MONITORING OFFICER
Decision Type:	NON-KEY
Classification:	UNRESTRICTED

Purpose of the report: To appoint at least one Independent Person to discharge the functions ascribed to section 28 of the Localism Act 2011.

Recommendation:

- (a) That the Council appoints two Independent Persons and abolishes the position of Substitute Independent Person with effect from 20 July 2017.
- (b) That Bernard Dowley and Janet Waghorn be appointed to the position of Independent Person with effect from 20 July 2017 for a period of 5 years and 1 day.
- (c) That each Independent Person be paid an allowance of £927 per annum with effect from 20 July 2017 and be entitled to claim travel and subsistence at the same rates as if s/he were a member of the authority.

1. Summary

The terms of office of the Independent Person and Substitute Independent Person expired on 2 July 2017 and the Council is required to appoint at least one Independent Person in accordance with the provisions of the Localism Act 2011.

2. Introduction and Background

2.1 A new Code of Conduct for Members was approved by the Council at its meeting on 26 June 2012. The new Code came into effect on 1 July 2012. The Localism Act 2011 abolished not only the previous statutory Code of Conduct but also the statutory regime for dealing with complaints that sat alongside it created under the Local Government Act 2000.

2.2 The Council was required by the Localism Act 2011 to put in place its own arrangements for dealing with complaints that members had failed to comply with the new Code of Conduct. Section 28 of the Act requires these arrangements to include the appointment of an Independent Person. The Council also decided to appoint a Substitute Independent Person to ensure a continuous provision in the event of the Independent Person being unavailable.

2.3 At the Council meeting held on 26 June 2012, the Council also appointed an Independent Person (Bernard Dowley) and a Substitute Independent Person (Andrew Hayes). The terms of appointment were effective from 1 July 2012 for a period of 5 years and 1 day, ending 2 July 2017.

Role of Independent Person

2.4 The Council is required to appoint at least one Independent Person to discharge the functions ascribed by section 28 of the Localism Act 2011. The role of the Independent Person is, in summary, as follows:

- To assist the Council generally in discharging its duty to promote and maintain high standards of conduct by Elected Members and Co-opted Members of Dover District Council and the Town and Parish Councils in its area.
 - To advise the Monitoring Officer in connection with the assessment and post-investigation stage of complaints against elected and co-opted members.
 - To advise the Governance Committee in connection with complaints and potential sanctions where a failure to comply with a code of conduct has been established.
 - To advise their view, where sought, to an Elected or Co-Opted Member of Dover District Council or a Town and Parish Council partially or wholly within its area who is the subject of an allegation that their behaviour has breached a Code of Conduct.
- 2.5 The Independent Person must not be, or have been during the last 5 years, a member, co-opted member or officer of Dover District Council or a Town or Parish Council within the district; or a relative or a close friend of a member, co-opted member or officer of Dover District Council or a Town or Parish Council within the district.
- 2.6 The Council at its meeting held on 23 July 2014 agreed a remuneration of £927 for the Independent Person and £232 for the Substitute Independent Person.

Recruitment of Applicants for the position of Independent Person

- 2.7 In April 2017, with the expiry of the terms of office drawing near, the Council advertised on-line, via social media and in local papers for applicants to fill the position of Independent Person.
- 2.8 An interview panel consisting of the Chairman of the Governance Committee (Councillor P G Heath), the Monitoring Officer and the Team Leader – Democratic Support interviewed the five shortlisted applicants for the post on 22 May 2017.
- 2.9 Following the interviews it was agreed to recommend to Council that it appoint Bernard Dowley and Janet Waghorn.

Review of Arrangements for an Independent Person

- 2.10 The Council must appoint at least one Independent Person. However, while for the period 2012 – 2017 it appointed a single Independent Person (and a Substitute) there is the option for appointing more than one Independent Person.
- 2.11 While the current arrangements have worked effectively, there are advantages in considering the appointment of a second Independent Person rather than a Substitute. A combination of flexibility in the arrangements for assessing allegations and the availability of the previous Independent Person meant that the Substitute Independent Person was rarely called upon. This has raised concerns over the potential impact on the Substitute's knowledge of the Code, familiarity with the arrangements for assessing complaints and ability to gain practical experience of the overall arrangements.
- 2.12 By appointing more than one Independent Person it which would enable the Monitoring Officer to call upon either Independent Person and by regularly alternating between Independent Persons it would ensure that their knowledge of the Code and familiarity with the arrangements remained up to date.

3. Identification of Options

- 3.1 Option 1: To appoint two Independent Persons for a period of 5 years and 1 day and appoint Bernard Dowley and Janet Waghorn to those positions.

3.2 Option 2: To appoint one Independent Person and one Substitute Independent Person for a period of 5 years and 1 day. If this option is chosen, it is recommended that Bernard Dowley be appointed as the Independent Person and Janet Waghorn as the Substitute Independent Person in keeping with the views of the Interview Panel.

3.3 Option 3: To appoint only a single Independent Person for a period of 5 years and 1 day and to not appoint a Substitute Independent Person. If this option is selected it is recommended that Bernard Dowley be appointed as the Independent Person in keeping with the views of the Interview Panel.

4. Evaluation of Options

4.1 Option 1 allows for greater flexibility than the current arrangements, maintaining a greater degree of resilience with two trained and experienced Independent Persons. For this reason Option 1 is the recommended option.

4.2 Option 2 maintains the current arrangements but does not address the problem with maintaining the knowledge and experience of the Substitute Independent Person. This, while not the recommended option, is the recommended alternative in the event that Option 1 is not acceptable to Members.

4.3 Option 3 while acknowledging the practical operational reality of the arrangements over the last 5 years does not provide any resilience in the event that the Independent Person is unavailable for any reason and could lead to delays in processing complaints against Members.

4.4 It is not recommended under any of the options that the Independent Person be appointed for a period of 5 years or less as it would bar them from reapplying at the end of their term of office under the provisions of the Localism Act 2011.

5. Resource Implications

5.1 If the Council were to appoint two Independent Persons at a remuneration of £927 per annum, there would be a budget increase required of £927. However, this would be partially off-set by abolishing the allowance of Substitute Independent Person (£232 per annum) resulting in an increase of £695 per annum.

6. Corporate Implications

6.1 Comment from the Director of Finance (linked to the MTFP):

6.2 Comment from the Solicitor to the Council:

6.3 Comment from the Equalities Officer:

6.4 Other Officers (as appropriate):

7. Appendices

Appendix 1 – Independent Person's Job Description

8. Background Papers

Localism Act 2011

Code of Conduct for Dover District Council

Contact Officer: Rebecca Brough, Team Leader – Democratic Support, 01304 872304



Dover District Council

Standards Committee – Independent Person

Job Description

Introduction

In accordance with Section 28(7) of the Localism Act 2011 the Council is required to appoint up at least one Independent Person.

Descriptions of Duties and Functions

The role of the Independent Person(s) appointed by the Council will be:

1. To assist the Council generally in discharging its duty to promote and maintain high standards of conduct by Elected Members and Co-opted Members of Dover District Council and the Town and Parish Councils in its area.
2. To advise the Monitoring Officer in connection with the assessment and post-investigation stage of complaints against Elected and Co-opted members.
3. To advise the Standards Committee [or equivalent body] in connection with complaints and potential sanctions where a failure to comply with a code of conduct has been established.
4. To advise their view, where sought, to an Elected or Co-Opted Member of Dover District Council or a Town and Parish Council partially or wholly within its area who is the subject of an allegation that their behaviour has breached a Code of Conduct.
5. To reach balanced and reasoned conclusions having considered complex material and applied an impartial and fair approach to all of the written and oral material provided.
6. To advise the Council on any future adoption/revision of a Members' Code of Conduct.
7. To undertake any training arranged by the Monitoring Officer (or authorised representative) to enable the Independent Person(s) to perform their role effectively.
8. It is envisaged that the views of the Independent Person will normally be sought by the Council (through the Monitoring Officer or authorised representative) in writing, either by letter or email, or at a meeting organised for the purpose of seeking such views. Where the Independent Person's views have been sought in writing, either by letter or email, it is expected that the response will be provided in the same way. However, advice may be sought by telephone from time to time.
9. In reference to paragraph 4, the Independent Person(s) should not give advice to Members of the Council, or of the Town and Parish Councils, in circumstances where no complaint about a Member's conduct has been received. Where such advice is

required, it should be sought by the Members of the Council, or of the Parish Councils, from, or via, the Monitoring Officer or his/her authorised representative.

10. The Independent Person will be selected from a list of appointees prepared following public advertisement; those persons will be expected to add the necessary element of independence and objectivity to the Committee's functions.
 11. The person appointed as an Independent Person must:
 - be committed to the need for high standards in public life
 - demonstrate that they can remain independent in their thinking and decision making
 - be able to make judgements based on evidence or information presented
 - have questioning skills
 - be assertive
 - be able to work within an area of public life which is open and transparent
 12. The Independent Person will be expected to undertake some training by the Council in procedures and processes, especially monitoring and ensuring compliance with Codes of Conduct, Complaints Procedures, etc and where appropriate including case studies.
 13. It is envisaged that meetings will normally be held in the daytime.
 - (a) The Council will meet travel and subsistence expenses in accordance with its set rates. The provision of any other allowance is subject to review by the East Kent Joint Independent Remuneration Panel.
 - (b) The Independent Person MUST NOT:^[1]
 - (i) Be, or have been during the last 5 years, a member, co-opted member or officer of Dover District Council or a Town or Parish Council within the district; or
 - (ii) A relative or a close friend of a member, co-opted member or officer of Dover District Council or a Town or Parish Council within the district.
 - (iii) A person is defined by the Localism Act 2011 as a relative if they are:
 - The spouse or civil partner or living as if they were a spouse or civil partner;
 - A grandparent;
 - A lineal descendant of a grandparent;
 - A parent, sibling or child;
 - The spouse or civil partner of a grandparent, lineal descendant of a grandparent, or a parent, sibling or child; or
 - Living with a grandparent, lineal descendant of a grandparent, or a parent, sibling or child as if they were a spouse or civil partner.
- of a member, co-opted member or officer of Dover District Council or a Town or Parish Council within the district.

^[1] This paragraph must be read subject to the provisions of The Localism Act 2011 (Commencement No.6 and Transitional Savings and Transitory Provisions Order 2012 [SI 2012 No.1463] which permit the appointment of a person as an independent person notwithstanding that he has been an member or co-opted member of a standards committee at any time during the 5 years ending on 30 June 2012, provided that he is not a member or co-opted member of a standards committee on 1 July 2012. The exemption provided by the Order only applies to appointments made before 1 July 2013.

Subject: AMENDMENTS TO THE CALENDAR OF ORDINARY MEETINGS 2017/18

Meeting and Date: COUNCIL – 19 JULY 2017

Report of: DAVID RANDALL, DIRECTOR OF GOVERNANCE

Classification: UNRESTRICTED

Purpose of the report: To ask that Council consider changes to the adopted Calendar of Meetings for 2017/18 in respect of the Dover Joint Transportation Board.

Recommendation: Council is requested to ratify the amendments, as set out in paragraph 2.4 of the report, to the Calendar of Ordinary Meetings for 2017/18 in respect of the Dover Joint Transportation Board.

1. Summary

- 1.1 In order to provide Members, Officers, other partner local authorities and the general public with as much notice as possible, a provisional Calendar of Meetings is presented to the Council in January each year prior to its final ratification at the Annual Meeting of the Council in May.
- 1.2 This report is in response to a request to change a number of the agreed meeting dates relating to the Dover Joint Transportation Board.

2. Introduction and Background

- 2.1 In the week of the Annual Council meeting a request was received from the then Chairman of the Dover Joint Transportation Board, Councillor N J Collor, to review the dates scheduled for after the 15 June 2017 meeting as they coincided with the dates for Council meetings at Kent County Council.
- 2.2 For the municipal year 2017/18 the chairmanship of the Dover Joint Transportation Board passed to Kent County Council from Dover District Council and Councillor S C Manion took over the chairmanship. Councillor S C Manion was consulted over the request raised by the previous Chairman and agreed that proposals to change the dates of the meetings after June 2017 should be brought forward.
- 2.3 In determining alternative dates, officers from Kent Highways were consulted and made no objections to the proposed new meeting dates.

Proposed Changes

- 2.4 The proposed changes to the dates of the meetings for the Dover Joint Transportation Board are as follows:

Current Meeting Date	Proposed New Meeting Date
Thursday 14 September 2017	Thursday 7 September 2017
Thursday 7 December 2017	Thursday 30 November 2017
Thursday 15 March 2017	Thursday 29 March 2017

3. **Identification of Options**

- 3.1 There are three options available to the Council:
- 3.2 Option A – To approve the amendments to the Calendar of Ordinary Meetings for 2017/18 in respect of the Dover Joint Transportation Board as set out in the table at paragraph 2.4 of the report.
- 3.3 Option B – To not approve the amendments to the Calendar of Ordinary Meetings for 2017/18.
- 3.4 Option C – To agree different meeting dates in respect of the Dover Joint Transportation Board to the Calendar of Ordinary Meetings for 2017/18.

4. **Evaluation of Options**

- 4.1 Option A delivers the changes requested by the current and previous Chairmen of the Dover Joint Transportation Board and addresses the issue of KCC Council and the Dover Joint Transportation Board meetings being held on the same day. The proposed new dates do not present a problem for Kent Highways officers and room space is available at the Council Offices to hold the meetings.
- 4.2 Option B does not change the previously adopted dates. The existing dates do not present a problem for Kent Highways officers and room space is available at the Council Offices to hold the meetings.
- 4.3 In the event that any Member wishes to propose Option C they are asked to contact the Team Leader – Democratic Support prior to the date of the Council meeting at which this report is considered in order that the feasibility of any proposed dates may be explored.

5. **Resource Implications**

There are no resource implications arising from this report as set out as it does not change the overall number of meetings.

6. **Appendices**

None

7. **Background Papers**

None

Contact Officer: Rebecca Brough, Team Leader – Democratic Support 01304 872304

Subject:	2016/17 ANNUAL GOVERNANCE ASSURANCE STATEMENT AND REVISED CORPORATE GOVERNANCE LOCAL CODE
Meeting and Date:	Cabinet – 12 June 2017 Governance Committee – 29 June 2017 Council – 19 July 2017
Report of:	David Randall, Director of Governance
Portfolio Holder:	Councillor Michael Conolly, Portfolio Holder for Corporate Resources and Performance.
Decision Type:	Non-Key
Classification:	Unrestricted

Purpose of the report: To approve the Annual Governance Assurance Statement 2016/17 and the revised Corporate Governance Local Code

- Recommendation:**
- (1) Cabinet approve the Annual Governance Assurance Statement and request that the Leader and the Head of Paid Service sign this statement on behalf of the Council.
 - (2) Governance Committee are asked to accept the Annual Governance Assurance Statement alongside the 2016/17 Statement of Accounts.
 - (3) Cabinet and Governance Committee recommend to Council that the revised Corporate Governance Local Code, which reflects the Delivering Good Governance in Local Government Framework (2016 Edition), is adopted.
 - (4) Council adopts the revised Corporate Governance Local Code.
-

1. Summary

- 1.1 Annually, the Council is required to conduct a review of the effectiveness of our system of internal control and also report on the extent to which we comply with our own Local Code of Corporate Governance. This must be conducted in accordance with the Delivering Good Governance in Local Government Framework 2016 Edition and is reported as the Annual Governance Assurance Statement. Cabinet are asked to accept the Annual Governance Assurance Statement for 2016/17, as recommended by the Corporate Management Team and request that the Leader and the Head of Paid Service sign this statement on behalf of the Council.
- 1.2 The Governance Committee is asked to accept the Annual Governance Assurance Statement alongside the 2016/17 Accounts.
- 1.3 A revised Delivering Good Governance in Local Government Framework (2016 Edition) has recently been published. This Council has reaffirmed its commitment to the principles of good governance in this new framework and these are reflected in a revised Corporate Governance Local Code. Cabinet and Council are requested to recommend this revised Local Code to Council for adoption.

2. Introduction and Background

- 2.1 The Accounts and Audit Regulations 2015, require that the Council conducts at least annually, a review of the effectiveness of its System of Internal Control and also report on the extent to which we comply with our own Local Code of Corporate Governance. The Council's Annual Governance Assurance Statement is prepared to meet these requirements and will be provided alongside the published Statement of Accounts in accordance with the Accounts and Audit Regulations 2015.
- 2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) produced a revised Delivering Good Governance in Local Government Framework in 2016 Edition and the requirements of the new Framework are reflected in this year's Annual Governance Assurance Statement and in a revised Corporate Governance Local Code (Appendices 1 and 4).
- 2.3 The statement is to be signed by the Leader and the Chief Executive, having paid due regard to any matters raised by the Section 151 Officer and the Monitoring Officer. In particular, the opinion of the Director of Governance and Monitoring Officer on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 2.4 The Annual Governance Assurance Statement for 2016/17 is attached. Corporate Management Team agreed to its acceptance in May 2017. The statement has been prepared taking into account the following information:
- A detailed review of the Council's performance measured against the new Core and Sub Principles as detailed in the Delivering Good Governance in Local Government Framework 2016 Edition.
 - The service review work performed by Internal Audit during the year.
 - Internal Audit's review of Corporate Governance arrangements.
 - Assurance Statements produced by individual Directors of Service.
 - The information gathered as a result of risk assessment and management.
 - The annual reports of the Scrutiny, Governance and Standards Committees
- 2.5 The Action plan will be monitored during the year and progress reported to Governance Committee.

3. Identification of Options

- 3.1 Agree the Annual Governance Assurance Statement including the key actions identified for signature by the Leader and then inclusion in the 2016/17 Accounts and adopt the revised Corporate Governance Local Code.
- 3.2 Do not agree the Annual Governance Assurance Statement and Corporate Governance Local Code as provided and require further analysis and clarification.

4. **Evaluation of Options**

- 4.1 Option 1 is the preferred option, as in preparing the Annual Governance Assurance Statement and revising the Council's Corporate Governance Local Code. This fully meets the requirements of the Accounts and Audit Regulations 2015. Delivering Good Governance in Local Government Framework (2016 Edition) states:

"The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be "prepared in accordance with proper practices in relation to accounts". Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016)".

5. **Resource Implications**

None.

6. **Corporate Implications**

- 6.1 Comment from the Section 151 Officer: Finance have been consulted and have nothing further to add (VB).
- 6.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make.
- 6.3 Comment from the Equalities Officer: This report does not specifically highlight any equalities implications, however in discharging their responsibilities members are required to comply with the public sector equality duty as set out in section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15>

7. **Appendices**

Appendix 1 – Annual Governance Assurance Statement

Appendix 2 – Action Plan – Backward Looking

Appendix 3 – Action Plan – Forward Looking

Appendix 4 – Revised Corporate Governance Local Code

8. **Background Papers**

Accounts and Audit Regulations 2015

CIPFA Delivering Good Governance in Local Government Framework 2016 Edition

Contact Officer: David Randall, Director of Governance

Dover District Council Annual Governance Assurance Statement

1 APRIL 2016 TO 31 MARCH 2017

1. WHAT WE ARE RESPONSIBLE FOR

We are responsible for ensuring that our business is conducted in line with the law and proper accounting standards, and for using public money economically, efficiently and effectively. We have a duty under the Local Government Act 1999 to continually review and improve the way we work and at the same time have regard to a combination of economy, efficiency and effectiveness.

In order to meet our responsibility we have in place proper arrangements for overseeing what we do and this is called Governance. These arrangements make sure that we do the right things in the right way, that our services reach the right people and that we are open, honest and accountable in the way that we deliver those services. This all contributes to our sound system of governance

We have approved and adopted a Local Code of Corporate Governance and a copy of this is available on our website at <http://www.dover.gov.uk/Corporate-Information/CorporateGovernance.aspx>.

2. THE AIM OF THE GOVERNANCE FRAMEWORK

The Governance Framework details the systems, processes, culture and values that we are controlled by and which we are answerable to. It also shows what we get involved with and how we engage with the community. It also shows how we monitor what we are achieving so that we can deliver services that are appropriate and value for money.

The system of internal control is an important part of the framework and is designed to manage risk to a reasonable level. It cannot remove all risk of failure to achieve policies and aims and can only provide reasonable protection. The system of internal control is based on an ongoing process designed to:

- Identify and prioritise anything that could prevent us from achieving our policies and aims
- Assess how likely it is that identified risks might happen and what the result would be if they did
- Manage those risks efficiently, effectively and economically

The Governance Framework describes what has been in place at Dover District Council for the year ended 31 March 2017 and up to the date of approval of the Council's accounts.

3. **OUR GOVERNANCE FRAMEWORK**

Our Governance Framework is underpinned by seven core principles and supported by our Corporate Plan as well as many systems, policies, procedures and operations, which together ensure that the intended outcomes for our community and stakeholders are defined and achieved. Good governance is dynamic, and Dover District Council is committed to improving governance on a continuing basis through a process of evaluation and review.

The key features are:

(a) **Our Core and Supporting Principles**

The seven core principles are taken from the International Framework: *Good Governance in the Public Sector* and help this Council demonstrate good governance. Each of these principles translates into a range of specific requirements and they are also reflected in this Corporate Governance Local Code:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

(b) **Our Corporate Plan**

This is our main strategic document providing a framework for the delivery of our services and providing context for all the other strategies and plans that we have. The Corporate Plan for 2016-2020 is published and is available on the Council's website. The Council approved a new Corporate Plan in March 2016 which continues with the overall direction of travel as the previous version.

The following strategic priorities have been identified in the 2016-2020 Corporate Plan:

- Thriving Economy
- Clean, Green and Safe Environment
- Healthier People and Communities
- Smarter Council

(c) **Business Plans**

The Business Plan is one of the central mechanisms for each Head of Service managing their own area of activity and therefore sits at the centre of the Corporate Governance process. The business plans support the aims of the Corporate Plan which include performance indicators that are used to measure our achievements.

(d) **Our Constitution**

Our Constitution details how we operate, how decisions are made and the procedures, which are to be followed. It also ensures that we work in an efficient and transparent way and that we are accountable to local people. The Monitoring Officer and Solicitor to the Council are responsible for keeping the Constitution under review.

(e) **The Executive**

The Executive are responsible for most decisions and is made up of the Leader and a Cabinet. Major decisions to be taken are published in advance in the Executive's Notice of Forthcoming Key Decisions, and will generally be discussed in a meeting open to the public. All decisions must be in line with our overall policies and budget. Any decisions the Executive wishes to take outside the budget or policy framework must be referred to Council as a whole to decide.

(f) **Corporate Management Team**

The Corporate Management Team comprises the Chief Executive (and Head of Paid Service) with responsibility for Regeneration and Development; Director of Governance (and Monitoring Officer); Director of Finance, Housing and Community (and S151 Officer) and Director of Environment and Corporate Assets.

Members of Corporate Management Team have a responsibility for the day to day running of each Division of the Council. They must regularly assess their Division's assurance arrangements and provide the Council with the opportunity to keep check on the adequacy of its overall arrangements.

(g) **Governance Committee**

The six (seven from May 2017) appointed members of the Council provide independent assurance of the adequacy of the risk management framework and the associated control environment together with independent review of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment. The Committee also oversees the financial reporting process by considering the final Statement of Accounts. The Chairman provides an Annual Report of the Governance Committee to the Annual Council Meeting

(h) **Overview and Scrutiny**

There are two overview and scrutiny committees who support and monitor the work of the Executive. A "call-in" procedure or addition to the work programme allows scrutiny to review Executive decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered. The Monitoring

Officer provides an Annual Report of the Scrutiny Committees to the Annual Council Meeting.

(i) **Standards**

The standards of conduct and personal behaviour expected of our members and our officers, our partners and the community are defined in codes of conduct and protocols. These include:

- Members' code of conduct
- Officer Code of Conduct
- An effective performance management system
- Regular performance appraisals for staff linked to corporate and service objectives
- A fraud and corruption policy
- Member/officer protocols
- A Standards Committee. This committee wasn't reappointed from May 2017. The work of this committee has been transferred to the Governance Committee.

The relevant Chairman and the Director of Governance and Monitoring Officer jointly provide an Annual Report of the Standards Committee (ceases for 17/18) and of the Governance Committee to the Annual Council Meeting.

We have effective formal and informal complaints procedures. Complaints of service maladministration are investigated and reported to the Standards Committee and from May 2017 to the Governance Committee. Lessons learned from these complaints are reviewed and acted on.

The Monitoring Officer is responsible for considering allegations of Members breaches of the codes of conduct.

(j) **Our Solicitor**

The Solicitor to the Council provides his opinion on our compliance with our legal obligations.

(k) **Financial procedures and Contract Standing Orders**

We have to ensure that we act in accordance with the law as well as various other regulations. We have developed policies and procedures for our officers to ensure that, as far as are possible, they understand their responsibilities both to the Council and to the public. Two key documents are the Financial Procedure Rules and the Contract Standing Orders, which are available to all officers via the Council's Intranet, as well as available to the public as part of the Constitution. The Responsibility for Functions (Scheme of Officer Delegations) were reviewed during 2016/17 and the changes were considered and approved by the Governance Committee and Council.

(l) **Financial Management**

Our financial management arrangements conform with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. In addition to the Financial and Contractual procedure rules contained within the

constitution, in order to maintain its financial management the Council operates budgetary control procedures which are used in conjunction with a Medium Term Financial Plan (MTFP).

Responsibility for ensuring that an effective system of internal financial control is maintained rests with the Section 151 Officer. The systems of internal financial control provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected quickly.

Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability. On-going development and maintenance of the various processes may be the responsibility of other managers.

In particular, the process includes:

- The setting of annual budgets;
- Producing the Medium Term Financial Plan
- Monitoring of actual income and expenditure against the annual budget;
- A mid-year review of the annual budget;
- Setting of financial and performance targets, including the use of the prudential code and associated indicators;
- Quarterly reporting of the Council's financial position to Members;
- Clearly defined capital expenditure guidelines;
- Treasury Management Strategy
- The monitoring of finances against a Medium Term Financial Plan;
- Managing risk in key financial service areas.
- A continuous and effective internal audit.

Through our budget monitoring processes we are able to ensure that financial resources are being used to their best advantage, this includes quarterly management reporting to the Corporate Management Team and Members.

Financial planning is underpinned by business planning. Increased expenditure in any service area has to be justified to the Corporate Management Team, and where necessary approved by the Executive. Corporate Management Team is tasked with prioritising resources to ensure that the objectives within Corporate Plan are supported by the individual business plans, and that improvements are in line with corporate objectives.

(m) **Policies**

Corporate policies on a range of topics such as Equality, Information Governance and Data Protection are all subject to internal review. We keep all staff aware of changes in policy, or documentation through a system called NETconsent. The corporate training needs are identified each year and appropriate training for all or key members of staff is provided.

(n) **Risk**

The risk management strategy, which forms part of the Corporate Governance Local Code, shows the role both Members and Officers have in the identification and

minimisation of risk. Risks are recorded in a Corporate Risk Register and are then subject to regular review.

(o) **Service Assurance**

A Service Assurance Statement is produced annually by all Directors of this Council and of Shared Services detailing their assessment of their services. They are required to give assurance that risks have been identified, that sound business arrangements operate in their service areas, and that the service is subject to monitoring and review in order to assess performance.

(p) **Performance Management Framework**

Progress towards the achievement of our objectives is monitored through our Performance Management Framework. A quarterly Performance Report is produced and reviewed by Corporate Management Team, by Cabinet and by the Scrutiny (Policy and Performance) Committee.

(q) **Internal Audit**

The East Kent Audit Partnership Internal Audit Team reports to the Director of Finance, Housing and Community. They operate under a Charter, which defines their relationship with our officers, and the Governance Committee. Their main responsibility is to provide assurance and advice on our internal control systems to the Corporate Management Team and Members. Internal Audit reviews the adequacy, reliability and effectiveness of internal control and recommends improvements where appropriate. It also supports the development of systems, providing advice on risk and control. Effective internal controls are an important part of the Corporate Governance process. Through their audit assurance work, internal audit provide 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, we undertake an annual review of the effectiveness of the system of internal audit.

(r) **External Audit**

The work is currently undertaken by Grant Thornton, who are required to deliver their audit work in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

(s) **Core Strategy and Local Plan**

The Core Strategy is the overarching statutory planning document for the District and was adopted by the Council in February 2010. The Core Strategy identifies the overall economic, social and environmental objectives for the District and the amount, type and broad location of development that is needed to fulfil those objectives. The 2014/2015 Authority Monitoring Report signalled the need to review key parts of the Council's Adopted Core Strategy evidence base. Two important studies have been completed: The Strategic Housing Market Assessment (SHMA) and the Economic Development Needs Assessment (EDNA); both of these studies have indicated that there is a strong case to review the Council's Adopted Core Strategy and the Adopted Land Allocations Local Plan (LALP). On 1 March 2017, Cabinet approved the commencement of a Local Plan Review.

(t) **State of the District Report**

This report is the annual backward look at the state of the district, highlighting key information under the headings of: Population Profile; Housing; Economy, Business and Employment; Budget, Funding and Investment; Education and Skills; Regeneration Delivery, Transport and Infrastructure; Health and Wellbeing; Deprivation and Poverty; Community Safety and Quality of Life.

Some national information is not collected annually. In addition, periodically the process of capturing information is changed, this in turn makes year-on-year comparisons and trends difficult to assess. The report is published on our website and revised annually (or as soon as the relevant information is made available to the Council).

(u) **Communication and Consultation**

Strategies are in place. We have active Twitter and Facebook accounts, enabling the Council to communicate effectively with our communities and also enabling members of the public to communicate their views on a wide range of matters. In 2015 the Council launched its 'Keep Me Posted' email alert service which enables members of the public to subscribe to email messages from the Council on a wide range of topics. Subscribers to the service can choose from as many topics as they wish and can update their preferences as often as they like.

(v) **Equality**

As part of our equalities responsibilities, we publish our equality objectives and progress against the targets to ensure that all groups in our community have a voice, can be heard and know how we make our decisions. A revised equality policy was adopted by Cabinet in March 2016 and our latest performance update was published on our website in March 2017.

(w) **Whistleblowing**

A confidential reporting hotline is in place to enable internal and external whistle blowing. Informants are requested to be open in their disclosure, but it is recognised that on occasions informants will wish to remain anonymous. There are also processes in place for staff to report through their line managers or East Kent Audit.

(x) **Employment Management**

The Employment Management Group considers all requests to fill staff vacancies. The group is chaired by the Director of Governance and supported by the Head of Finance, Head of Community Services and the EK Human Resources Business Partner. Their recommendations are considered by the Head of Paid Service who provides the final decision as to which posts can be filled.

(y) **Partnerships**

Partnership evaluation criteria have been established to help ensure that all key governance criteria are incorporated into new and existing partnerships.

4. REVIEW OF EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

We have a responsibility for conducting, at least annually, a review of the effectiveness of our governance framework including the system of internal control. This review is informed by the ongoing monitoring and review by the Director of Governance, EK Internal Audit Partnership and the Head of the Audit Partnership's Annual Report, the work of our Directors and Heads of Services and their managers who have responsibility for the development and maintenance of the governance environment. This review is also informed by the findings and reports of our external auditors together with any other review agencies or inspectorates.

(a) The Director of Governance and Monitoring Officer has responsibility for:

- Monitoring the Constitution and keeping it up to date
- Overseeing and monitoring the Corporate Governance Local Code
- Maintaining and updating the code if required by best practice
- Reporting annually to members on performance and compliance with the code
- Ensuring ethical standards and conduct are met

(b) The Director of Finance, Housing and Community has responsibility for:

- Publishing financial information and statements accurately and reliably.
- Confirmation that resources are managed efficiently and effectively.

(c) The Director of Governance and Monitoring Officer and the Director of Finance, Housing and Community have responsibility for:

- The overall review of the internal control opinion and framework evidence, including service assurance statements, the audit review of Corporate Governance, the Constitutional review, Performance reporting, Risk management arrangements and the individual audit and risk management assessments.
- Review of the Effectiveness of Internal Audit.
- The External Auditor's Annual Audit and Inspection Letter, service assessments and other associated reviews and ensuring that they are acted upon.

(d) All Directors have responsibility via a Service Assurance Statement to ensure that:

- Risks have been identified. They are recorded and monitored in accordance with the Councils Risk Management Strategy.
- Staff are fully aware of the requirements of their job, and have access to the appropriate Council rules and policies to assist them.
- Internal and External Audit reports and recommendations have been acted on.
- Reports from other review agencies have been acted on.
- Business arrangements are conducted in accordance with the law and proper standards.
- Public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

- The service has in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to Corporate Governance is both adequate and effective.
 - A statement of assurance that improvement plans exist to rectify any acknowledged deficiency.
- (e) **Solicitor to the Council has responsibility:**
- Via his annual statement to give his opinion on the Council's compliance with relevant laws and regulations, and its legal obligations and requirements
- (f) **Cabinet has responsibility for:**
- All Executive Decisions in respect of functions delegated to it by the Leader of the Council
 - Setting robust and challenging targets and
 - Monitoring the achievement of key priorities
- (g) **Council has responsibility for:**
- Agreeing or amending the Policy Framework
 - Agreeing or amending the budget, including the borrowing or capital expenditure strategy and setting the Council Tax
- (h) **Scrutiny (Policy and Performance) Committee has responsibility for:**
- Scrutiny of budgets and major policies
 - Monitoring the achievement of key priorities
 - Scrutiny co-ordination
- (i) **The Governance Committee has a responsibility for:**
- Ensuring effective internal audit and internal control arrangements
 - Receiving the annual Internal Audit Programme of work
 - Receiving quarterly updates from the Head of the Audit Partnership on the assurance which can be placed against various systems and processes during the year
 - Reviewing the annual assessment at the year end.
 - Receiving the annual review of internal control
 - Receiving the annual constitutional review
 - Reviewing risk management arrangements
 - Receiving Quarterly Treasury Management Reports
 - Receiving the Annual Statement of Accounts
- (j) **Internal Audit has responsibility to:**
- Provide an independent annual statement on the systems of internal control, highlighting areas of concern
 - Report on the level of assurance in respect of the Council's internal control systems
 - Provide an overall Assurance Statement from the Head of the Audit Partnership. This is compiled from the Internal Audit work programme and a review of this Council's Corporate Governance arrangements.

5. **THIS YEAR'S REVIEW**

(a) **Council**

Article 15 of the Council's Constitution makes provision for the regular review of the Constitution by the Monitoring Officer. During 2016/17 the Responsibility for Functions and Proper Officer Appointments were reviewed. The key focus of the next review due in 2017/18 will be improving transparency and accessibility reflecting changes to the Council's organisational structure and the collation of changes made by decision making bodies such as Cabinet or council during the course of the previous year.

(b) **Cabinet**

Key Executive decisions were considered by the Cabinet, in particular relating to the budget and medium term financial plan, and the delivery of key regeneration priorities.

The Council's Quarterly Performance Report was received and reviewed quarterly. This examines our performance against agreed performance targets and our key priorities.

(c) **Scrutiny**

The Council's key priorities and Performance Indicators were reviewed regularly and challenged if necessary.

The Annual Report of the work of the Scrutiny Committees for 2016/17 was presented to the Annual Council Meeting on 17 May 2017. This identified sound governance arrangements, including an effective scrutiny process, which underpins the achievement of all the Council's corporate objectives.

(d) **Governance Committee**

The Governance Committee received quarterly updates from the Head of East Kent Audit Partnership on the assurance which can be placed against various systems and processes during the year, including reviews of internal controls, along with the annual assessment. The Committee kept a check on those areas that have not achieved expected levels of audit assurance.

This Committee also reviewed the effectiveness of the Council's risk management arrangements.

The Director of Governance and Solicitor to the Council are responsible for ensuring that the Constitution is reviewed regularly. It is not practical to undertake a full yearly review, so specific areas are selected each year. During 2016/17 a review was undertaken of the Responsibility for Functions and Proper Officer Appointments parts of the Constitution. The Governance Committee recommended the changes for approval by the Council. All are documented on our website.

The Annual Report of the work of the Governance Committee for 2016/17 was presented to the Annual Council Meeting on 17 May 2017. This gave a positive opinion on the system of internal control. The Governance Committee continued to be assured of the integrity and reliability of data held in financial statements. The

work undertaken by Internal and External Audit provided detailed assurance on those areas of the Council's work which were the subject of reports.

The assurances from the Director of Finance, Housing and Community, Director of Governance and Director of Environment and Corporate Assets and the work of Internal and External Audit together supported the Committee in forming their opinion of the financial statements, enabling them to agree to sign the 2015/16 accounts in accordance with the regulations. For this year, the same process provides the committee with the necessary assurances to approve the 2016/17 accounts at its meeting on 29 June 2017.

The submission of this Annual Report continues to enhance the effective communication of our governance processes.

(e) **Standards Committee**

The Standards Committee received quarterly reports on the progress of formal service complaints against the Council and lessons learned from those complaints.

There were no findings against Dover District Council from the Local Government Ombudsman in 2016/17.

Changes adopted by Council in January 2014, included a provision which allows Members to declare non-financial interests. The Kent Model Code of Conduct continues to be regularly reviewed in order to ensure that it remains fit for purpose. The ability to declare a non-financial interest has been welcomed by Members and has been utilised on several occasions to ensure transparency in decision-making.

During 2016/17 the Monitoring Officer received twelve complaints, ten cases related to Parish Councillors and two related to a District Councillor. No cases were subject to further investigation and the Standards Committee Hearing Panel did not meet during 2016/17 to conduct a hearing into a complaint that had been the subject of an investigation.

During the municipal year 2016/17 there were no requests for dispensation.

At the Annual Meeting of the Council on 17 May 2017, it was resolved that the Council no longer appoints a separate Standards Committee and that the functions of the Standards Committee are transferred to the Governance Committee and the revised functions of the Governance Committee are incorporated into the Council's Constitution.

(f) **Review of Internal Audit**

The effectiveness of internal audit is monitored jointly by the Monitoring Officer and the Section 151 Officer through:

- Quarterly review meetings with the Head of Internal Audit
- Sign off of the Audit Plan
- Review of the internal audit annual report
- Attendance at Governance Committee
- Review of individual audit reports
- Meetings with the S151 officers of the other partners

(g) **The Work of Internal Audit**

Based on their work undertaken during the year, the Head of the Audit Partnership considers that there are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control.

The report also considers that the Council can have very good level of assurance in respect of all of its main financial systems and a good level of assurance in respect of the majority of its Governance arrangements.

Many of the main financial systems, which feed into the production of the Council's Financial Statements, have achieved a substantial assurance following audit reviews. The report goes on to state that the Council can be very assured in these areas and that this position is the result of improvements to the systems and procedures over recent years and the willingness of management to address areas of concern that have been raised.

There was one audit review where only a limited assurance level was given, with 94% of the reviews accounting for substantial or reasonable assurances on the system of internal control in operation at the time of the review. There were no reviews assessed as having no assurance. During 2016/17 Internal Audit raised and reported to the quarterly Governance Committee meetings 70 recommendations, and whilst 77% were in the High or Medium Risk categories, none were so significant that they needed to be escalated at the time.

There were no fraud investigations carried out during 2016/17.

(h) **External Reviews**

There were no external reviews held this year. However, the Chartered Institute of Public Finance and Accountancy developed and then published in April 2017 a new 2016 Edition of the Delivering Good Governance in Local Government Framework. This Council has set out its commitment to the core and sub principles in a revised Corporate Governance Local Code which Council will be requested to adopt on 19 July 2017.

(i) **Training**

Comprehensive Training is provided at the outset for the new Council and this is refreshed during the four year term, to ensure that the councillors have the skills and expertise to make sound and effective decisions.

The officer performance appraisal includes a personal Improvement plan, where training and development needs are discussed and agreed. These are provided annually to the Director of Governance to help inform the training needs of the organisation, some of which will be delivered corporately via the Corporate Training Plan. In 2017/18 Heads of Service, Managers and Team Leaders are being offered the opportunity to gain an Institute of Learning and Management qualification, to help enhance their skills and knowledge as leaders in the organisation.

(j) **Members Code of Conduct**

The Principles of Good Conduct are contained within the Member Code of Conduct, minor changes including the inclusion of the provision for Voluntary Announcements of Other Interests were adopted by the Council in February 2014. During 2016/17

arrangements were made to advertise for the position of Independent Member, as the term of office for the current incumbent is due to expire in July 2017.

6. **SIGNIFICANT GOVERNANCE ISSUES DURING THE YEAR**

- (a) This Council has set out its commitment to the core and sub principles in a revised Corporate Governance Local Code. A detailed review of the actions taken to comply with the new principles has been undertaken and fully documented.
- (b) The Annual Reports of the Scrutiny, Governance and Standards Committees, provide a positive statement and opinion regarding the governance arrangements and the effectiveness of the internal control environment operating across this Council.
- (c) There were eight cases reviewed by the Local Government Ombudsman during 2016/17 but no maladministration was found.
- (d) The East Kent Corporate Information Governance Group finalised the Information Governance Framework and the associated suite of Information Governance Policies (16 in total). The new and revised policies were subject to staff consultation in the autumn of 2016, before adoption by the Cabinet on behalf of this Council in January 2017. These will be kept under regular review by the group.
- (e) The Notice of Forthcoming Key Decisions continues to publish key decisions to be taken by the Cabinet. Cabinet Reports are considered by Finance, Legal and Equalities Officers and then by CMT to ensure that outcomes are consistent with the Council's corporate direction.
- (f) Elections for the Police and Crime Commissioner were held on 5 May 2016 with the Chief Executive again being appointed as the Police Acting Returning Officer for Kent. This appointment meant that the Dover was responsible for compiling and the results across the whole County.
- (g) The EU Referendum was held on 23 June 2017 with a high turnout that impacted on the polling stations and election counts. To successfully deliver the election and referendum efficiently and effectively required the involvement of most Council staff on the days, whilst a significant number of key staff were seconded to election duties, before the dates. In addition to these two major elections, there were 12 District and/or Parish by-elections that were held during 2016/17.
- (h) A suite of performance indicator targets were approved by Cabinet at the start of the 2016/17 financial year and were then measured via the quarterly performance reports.
- (i) Following a service review, Cabinet approved that the Parks and Open Spaces service be brought back in house from 1 April 2017 to provide a more focused, efficient and effective service that delivers the priority outcomes required by the Council.
- (j) As part of the review of the East Kent Services Collaboration Agreement, the delegations to the East Kent Services Committee were amended to establish revised governance arrangements for East Kent Services and East Kent Human Resources.

- (k) The Council accepted an invitation from Public Sector Auditor Appointments (PSAA) to become a 'opted in authority'. PSAA will appoint an auditor for the Council for each of the five financial years from 1 April 2018.
- (l) The Council approved a Property Investment Strategy together with a supplementary capital budget of £200 million for the acquisition of commercial and residential assets for the economic regeneration and well-being of the District, for investment purposes.
- (m) In September 2016 the Court of Appeal held that the Council had acted unlawfully in its planning committee's failure to give legally adequate reasons in approving a planning application contrary to the recommendation of the planning officer. This is a somewhat obscure area of the law and the public interest in clarifying it is such that the Supreme Court has granted permission for the Council to appeal the decision. The hearing in the Supreme Court will take place in October 2017.

7. **IMPROVEMENTS DURING THE YEAR**

- (a) The Council obtained Public Sector Network (PSN) Compliance for 2016. This included IT Equipment, systems and software upgrades to ensure PSN compliance. Staff and members can work safely and securely from any location.
- (b) The revised East Kent Services Collaboration Agreement with Canterbury City Council and Thanet District Council for EKS and EKHR has been completed.
- (c) The revised Statement of Particulars and a Conditions of Service Handbook, including new and revised policies, was the subject of formal consultation with all staff during the autumn of 2016 and was formally approved by the General Purposes Committee in December 2016. The new policies and procedures came into force on 1 January 2017 and will be kept under review by the Conditions of Service Officer Group.
- (d) A forward looking action plan has been prepared for 2017/18 and this will be kept under regular review by the Director of Governance and reviewed by the Governance Committee at its December 2017 meeting.

8. **OPINION OF THE DIRECTOR OF GOVERNANCE**

I can confirm that the governance arrangements provide and continue to be regarded as fit for purpose in accordance with the governance framework and will ensure that that the implementation is monitored as part of the next annual review.

Signature: _____ Date: _____

David Randall
Director of Governance

9. **STATEMENT OF THE LEADER OF THE COUNCIL AND THE CHIEF EXECUTIVE**

We have reviewed the effectiveness of the Council's governance framework and noted the opinion and commitment of the Director of Governance. We sign this Annual Governance Assurance Statement on behalf of the Council.

Signature: _____ Date: _____
Councillor Paul Watkins
Leader of the Council

Signature: _____ Date: _____
Nadeem Aziz
Chief Executive

Governance Assurance Statement Action Plan – Backward Looking

Action Description	Evidenced by	Completed
The corporate plan to be been kept up to date and any necessary update is published	Corporate plan is up to date and published on the website	31/03/17
The Constitution and Code of Conduct are subject to an annual review and updated where applicable	The constitution has been reviewed and amendments agreed by Council	31/03/17
Business Plans prepared and published for each division	Business plans for the forthcoming year completed and returned to Corporate Services	31/03/17
Quarterly performance reports all reviewed by Cabinet and Scrutiny.	Performance reports published on the website.	31/03/17
	Performance reports reviewed by Cabinet and Scrutiny as per minutes published on the Website	31/03/17
Audit reports reviewed quarterly by Governance Committee and follow up reviews undertaken where the audit review show the expected levels of assurance had not been achieved.	Actions in Audit reports followed up	31/03/17
	The Audit Programme is approved by the Governance Committee and quarterly audit reports of the reviews and follow up audit undertaken are all reviewed by Governance Committee	31/03/17
Standards Committee have received reports on the progress of formal service complaints against the Council and lessons learned from those complaints	Standards committee review progress on all formal service complaints at least half yearly. Reports published on website.	31/03/17
Alleged breaches of the Members' Code of Conduct by District, Town and Parish Councillors are considered by the Monitoring Officer in a timely manner	Breaches of the Member Code of Conduct have been considered in a timely manner by the Monitoring Officer throughout the year.	31/03/17
Audit undertake their annual review of the effectiveness of systems of internal control	Audit have completed their annual review of the system of internal control and this forms part of their annual report	31/03/17
All digital service reviews that are planned are undertaken	Digital service reviews were held during the year as planned and changes implemented.	31/03/17
Governance Framework reviewed and any amendments approved	All amendments approved	31/03/17
The provision for clawback of MMI insurance claims is reviewed and is adequate	No further claim, the MMI provision is as per the MMI annual statement	31/03/17
Employee Code of Conduct Developed	Employee code of conduct was developed as part of the revised Conditions of Service and was adopted by the General Purposes Committee in	01/01/17

Action Description	Evidenced by	Completed
	December 2016 and launched on 1 January 2017.	
Officer Training Plan Developed	Corporate Training Needs 2016/17 was developed and delivered	31/03/17
Corporate Information Governance	Development of corporate information and security governance framework and policies for East Kent was delivered by the East Kent Corporate Information Governance Group and adopted by this Council in January 2017.	09/01/17
Audit Panel	At the Governance Committee on 3 December 2015, it was resolved that the Council would opt in to the sector lead approach in accordance with the Local Audit (Appointing Person) Regulations 2015. The Council will be asked to approve this approach during 2016/17.	30/11/16

Governance Assurance Statement Action Plan – Forward Looking

Action Description	Evidenced by	Due
The corporate plan to be been kept up to date and any necessary update is published	Corporate plan is up to date and published on the website	31/03/18
The Constitution and Code of Conduct are subject to an annual review and updated where applicable	The constitution has been reviewed and changes and amendments are agreed by the Governance Committee and Council	31/03/18
Business Plans prepared and published for each division	Business plans for the forthcoming year completed and returned to Corporate Services.	31/03/18
Quarterly performance reports all reviewed by Cabinet and Scrutiny.	Performance reports published on the website.	31/03/18
	Performance reports reviewed by Cabinet and Scrutiny as per minutes published on the Website.	31/03/18
Audit reports reviewed quarterly by Governance Committee and follow up reviews undertaken where the audit review show the expected levels of assurance had not been achieved.	Agreed high risk recommendations following audit reviews are followed up in a timely manner by management	31/03/18
	Quarterly audit reports covering audit reviews and follow up reviews are received by Governance Committee	31/03/18
Governance Committee have received reports on the progress of formal service complaints against the Council and lessons learned from those complaints.	Governance committee review progress on all formal service complaints at least half yearly. Reports published on website.	31/03/18
Alleged breaches of the Members' Code of Conduct by District, Town and Parish Councillors are considered by the Monitoring Officer in a timely manner.	Breaches of the Member Code of Conduct have been considered by the Monitoring Officer throughout the year.	31/03/18
Audit undertake their annual review of the effectiveness of systems of internal control.	Audit have completed their annual review of the system of internal control and the results are built in to their annual report	31/03/18
Governance Framework reviewed and any amendments approved.	All amendments approved by the Governance Committee and Council.	31/03/18
The provision for clawback of MMI insurance claims is reviewed and is adequate.	MMI provision is as per the MMI annual statement	31/03/18
Officer Training Plan Developed	Corporate Training Needs agreed and training plan delivered. ILM Training delivered for middle and senior management Induction Training for new starters.	31/03/18

Action Description	Evidenced by	Due
Corporate Information Governance	Periodic review of the corporate information and security governance framework and policies for East Kent.	31/03/18
Apprenticeship Levy	Compliance with the new Government requirements, including procurement of appropriate training for new apprentices.	31/03/18



Corporate Governance Local Code

Revised: May 2017

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Introduction

What Do We Mean By Governance?

Governance is about how we ensure that we are doing the right things, in an open, honest and accountable manner.

The International Framework: Good Governance in the Public Sector defines governance as:

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

For Dover District Council, good governance comprises the systems, processes, cultures and values we follow so that we can pursue our vision and objectives effectively, delivering intended outcomes for our communities, whilst minimising the risks involved. We aim to meet the standards of the best and ensure that our governance arrangements are sound.

Good Governance runs through every level of the Council, it is owned by all stakeholders, including senior management and members. It forms the essential core values of the Council and should remain embedded in the culture of the Council.

Purpose of This Corporate Governance Local Code

Our Corporate Governance Local Code brings together legislative requirements, governance principles and management processes, providing a governance framework for the proper conduct of our business in a transparent and accountable way.

Delivering Good Governance

Good governance is important to all officers and members of this council. It is a key responsibility of our Leader, our Chief Executive, the Cabinet, the Corporate Management Team and the full Council, in particular the Governance Committee who are responsible for monitoring and providing assurance on our governance arrangements.

The Council has in place a process of continual review of its internal control arrangements. Rules are embedded into the Constitution of the Council, under the term Corporate Governance. Good Corporate Governance underpins credibility and confidence in the Council and this Code of Corporate Governance promotes accountability, effectiveness, openness, integrity and inclusivity in all of our business.

This statement, the systems that support it and the overall Corporate Governance arrangements are all subjected to an annual audit inspection by the Councils external auditors.

This Local Code also provides a mechanism for the continued development of Corporate Governance arrangements, summarising the principles and how this Council will comply with

the Corporate Governance Framework, with Risk Management and with Performance Management.

Testing our Arrangements

We test our arrangements by:

- Maintaining an up-to-date and effective local code of governance.
- Regular review of our existing governance arrangements against this code.
- Preparing an annual governance statement in order to report publicly on compliance with this code, over the past year.
- Reporting any planned changes in the coming period.

In order to review our current arrangements, we:

- Collect evidence of systems, processes and documentation that provide evidence of compliance;
- Collect evidence of the individuals and committees responsible for monitoring and reviewing systems, processes and documentation.
- Ensure management and reporting arrangements are in place to monitor governance effectiveness.
- Identify the issues that have not been addressed adequately and consider how they should be addressed.
- Prepare an action plan to address issues with responsibilities listed
- Prepare an action plan for the forthcoming year's evidence collection.
- Ensure appropriate risk and performance management arrangements are in place and are operating effectively.
- Ensure systems of control are working effectively.

Key elements of our Governance Arrangements

Compliance

- With relevant laws, regulations, policies and procedures
- Financial management requirements, including the role of the Chief Financial Officer (section 151 Officer)
- Effective arrangements to discharge the roles of Head of Paid Service, Monitoring Officer and Section 151 Officer
- Effective counter fraud and anti-corruption arrangements
- Governance/audit committee

Performance

- Clear channels of communication
- Commitment to openness and transparency
- Effective decision making, including the scheme of officer delegations
- Performance management and reporting
- Clear roles and responsibilities for officers and members
- Effective Overview and Scrutiny function
- Induction and development of members and officers

Background

The Principles of Conduct

The Committee for Standards in Public Life, the seven "Nolan" Principles form an important part of the Governance Framework for Members, Officers and partners.

The principles are:

- **Selflessness:** Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.
- **Integrity:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
- **Objectivity:** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- **Accountability:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- **Openness:** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and actions and restrict information only when the wider public interest clearly demands.
- **Honesty:** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- **Leadership:** Holders of public office should promote and support these principles by leadership and example.

Dover District Council's Member Code of Conduct

This Council's Code of Conduct incorporates the principles outlined above and also covers:

- General principles in relation to behaviour and equal treatment of people.
- Confidentiality and openness – the treatment of confidential information and access to information
- Criminal offences and bringing the authority into serious disrepute.
- The use of the authority's resources – the prohibition of members from using their office/position to obtain advantage or from using local authority resources for the benefit of political parties
- Decision making – the requirement for members to act reasonably
- Disclosable Pecuniary Interest– restrictions on participation in meetings by members with an interest in matters under consideration
- The registration of members' interest – and gifts and/or hospitality received.
- Other significant interest

Code of Conduct for Officers

The Council's Code of Conduct for employees provides staff with an effective ethical framework within which to work and aims to give the Council's communities confidence that the staff are working on their behalf in an appropriate manner. The Council's Conditions of

Service require all officers to abide with the Code of Conduct for employees. Officers should be aware and comply with all policies of the Council.

The public is entitled to expect the highest standards of conduct from all local government employees. The role of employees is to serve the Council in providing advice, implementing its policies and delivering services to the local community. In performing their duties, they must act with integrity, honesty, impartiality and objectivity, complying with the Seven Principles of Public Life.

Governance Principles

Development of the Principles of Governance

In 2007 the CIPFA/SOLACE joint working group issued a framework called *Delivering Good Governance in Local Government* together with an accompanying guidance note. This was aimed at helping Local Authorities develop and maintain their own codes of governance.

The guidance was updated in 2011 and 2012 to reflect the latest Accounts and Audit regulations. The Framework was further reviewed in 2016 and a revised edition published in April 2017.

The Framework positions the attainment of sustainable economic, societal and environmental outcomes as a key focus of governance processes and structures. The framework defines the principles that underpin the governance of this local authority.

Core and Supporting Principles

The seven core principles are taken from the International Framework: *Good Governance in the Public Sector* and help local authorities demonstrate good governance through their local codes.

Each of these principles translates into a range of specific requirements and they are reflected in this Corporate Governance Local Code in the following pages.

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement

Principles A and B permeate implementation of principles C to G.

- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Good governance is dynamic, and Dover District Council is committed to improving governance on a continuing basis through a process of evaluation and review.

Core Principle	Sub Principles
<p>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p> <p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>	<p>Behaving with Integrity</p> <ul style="list-style-type: none"> • Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation • Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the seven Principles of Public Life • Leading by example and using the standard operating principles or values as a framework for decision making and other actions • Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively <p>Demonstrating strong commitment to ethical values</p> <ul style="list-style-type: none"> • Seeking to establish, monitor and maintain the organisation's ethical standards and performance • Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation • Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values • Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation <p>Respecting the rule of law</p> <ul style="list-style-type: none"> • Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations • Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements • Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders • Dealing with breaches of legal and regulatory provisions effectively • Ensuring corruption and misuse of power are dealt with effectively

Core Principle	Sub Principles
<p>B. Ensuring openness and comprehensive stakeholder engagement</p> <p>Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</p>	<p>Openness</p> <ul style="list-style-type: none"> • Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness • Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided • Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear • Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action <p>Engaging comprehensively with institutional stakeholders</p> <ul style="list-style-type: none"> • Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably • Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively • Ensuring that partnerships are based on: trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit <p>Engaging with individual citizens and service users effectively</p> <ul style="list-style-type: none"> • Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes • Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement • Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds

Core Principle	Sub Principles
	<p>including reference to future needs</p> <ul style="list-style-type: none"> • Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account • Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity • Taking account of the impact of decisions on future generations of tax payers and service users

Core Principle	Sub Principles
<p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</p> <p>The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<p>Defining Outcomes</p> <ul style="list-style-type: none"> • Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions • Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer • Delivering defined outcomes on a sustainable basis within the resources that will be available • Identifying and managing risks to the achievement of outcomes • Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available <p>Sustainable economic, social and environmental benefits</p> <ul style="list-style-type: none"> • Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision • Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints • Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs • Ensuring fair access to services

Core Principle	Sub Principles
<p>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</p> <p>Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.</p>	<p>Determining the interventions</p> <ul style="list-style-type: none"> • Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided • Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts <p>Planning interventions</p> <ul style="list-style-type: none"> • Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets • Engaging with internal & external stakeholders in determining how services and other courses of action should be planned and delivered • Considering and monitoring risks facing each partner when working collaboratively, including shared risks • Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances • Establishing appropriate key performance indicators as part of the planning process in order to identify how the performance of services and projects is to be measured • Ensuring capacity exists to generate the information required to review service quality regularly • Preparing budgets in accordance with objectives, strategies and the medium term financial plan • Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy <p>Optimising achievement of intended outcomes</p> <ul style="list-style-type: none"> • Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints • Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage

Core Principle	Sub Principles
	<ul style="list-style-type: none"><li data-bbox="662 257 1364 353">• Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term<li data-bbox="662 360 1364 418">• Ensuring the achievement of 'social value' through service planning and commissioning.

Core Principle	Sub Principles
<p>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it</p> <p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>	<p>Developing the entity's capacity</p> <ul style="list-style-type: none"> • Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness • Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently • Recognising the benefits of partnerships and collaborative working where added value can be achieved • Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources <p>Developing the capability of the entity's leadership and other individuals</p> <ul style="list-style-type: none"> • Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained • Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body • Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority • Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> ○ ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged ○ ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis

Core Principle	Sub Principles
	<ul style="list-style-type: none"> ○ ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external • Ensuring that there are structures in place to encourage public participation • Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections • Holding staff to account through regular performance reviews which take account of training or development needs • Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

Core Principle	Sub Principles
<p>F. Managing risks and performance through robust internal control and strong public financial management</p> <p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services.</p> <p>Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p>Managing risk</p> <ul style="list-style-type: none"> • Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making • Implementing robust and integrated risk management arrangements and ensuring that they are working effectively • Ensuring that responsibilities for managing individual risks are clearly allocated <p>Managing performance</p> <ul style="list-style-type: none"> • Monitoring service delivery effectively including planning, specification, execution and independent post implementation review • Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook • Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible • Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement • Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements) <p>Robust internal control</p> <ul style="list-style-type: none"> • Aligning the risk management strategy and policies on internal control with achieving objectives • Evaluating and monitoring risk management and internal control on a regular basis • Ensuring effective counter fraud and anti-corruption arrangements are in place • Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor • Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> ○ provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment

Core Principle	Sub Principles
	<ul style="list-style-type: none"> ○ that its recommendations are listened to and acted upon <p>Managing data</p> <ul style="list-style-type: none"> • Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data • Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies • Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring <p>Strong public financial management</p> <ul style="list-style-type: none"> • Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance • Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

Core Principle	Sub Principles
<p>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p> <p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p>Implementing good practice in transparency</p> <ul style="list-style-type: none"> • Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate • Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand <p>Implementing good practices in reporting</p> <ul style="list-style-type: none"> • Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way • Ensuring members and senior management own the results reported • Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement) • Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate • Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations <p>Assurance and effective accountability</p> <ul style="list-style-type: none"> • Ensuring that recommendations for corrective action made by external audit are acted upon • Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon • Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations • Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement

Core Principle	Sub Principles
	<ul style="list-style-type: none"><li data-bbox="683 262 1374 383">• Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met

The Annual Governance Process

To be effective a governance framework needs to demonstrate that the Core and Supporting Principles are underpinned by evidence. This local code demonstrates how we will collect our evidence as part of an on-going process. Evidence is collected and held on the council's performance monitoring system throughout the year. This includes a detailed assessment against the core and sub principles identified in this code.

Annually, there is a review of the effectiveness of the Council's system of internal control and this informs the Annual Governance Statement. Dover District Council is required to prepare its annual governance statement to report publicly on the extent to which we comply with this local code of corporate governance.

This includes how we have monitored and evaluated the effectiveness of our governance arrangements in the year, and on any planned changes in the coming period. The annual governance statement is a valuable means of communication. It enables the Council to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes

The Director of Governance and Monitoring Officer provides an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework

The Leader and Chief Executive sign the statement on behalf of the Council.

The outcome of the annual review is reported internally to Cabinet and Governance Committee, and externally in the Annual Report with the published accounts.

Completing the Assurance Statement

The annual governance assurance statement will include the following information:

- An acknowledgement of our responsibility for ensuring there is a sound system of governance
- A description of the key elements of our governance framework.
- A description of the key elements of the review of effectiveness
- What the current year's review involved including a description of the processes that were applied.
- Significant governance issues, including an agreed action plan to deal with any issues.
- Improvements made during the year and how issues identified in the previous year's action plan have been addressed and resolved.
- An opinion by the Director of Governance and Monitoring Officer on the level of assurance that the systems and processes that comprise our governance arrangements provide.
- Statement of approval of the Leader and Chief Executive of the Council, including a commitment to monitor implementation as part of the next year's review.

The Completion Process provides the detailed stages of the Annual Assessment. The Chief Executive, Statutory Officers, other Directors, Internal Audit and managers across the authority all have a role to play in this assessment. The overall assurance given is not a

pass or fail. It is a narrative statement pointing to the Council's strengths and weaknesses and any areas for improvement.

Principles Adopted

Completion of the statement should flow from the normal business planning, review and reporting processes of the Council, its Governance Committee and the planned work of Internal Audit.

The Business Plan is one of the central mechanisms for each Head of Service managing their own area of activity and therefore sits at the centre of the Corporate Governance process.

Corporate Governance uses existing documents, procedures and frameworks. It also links to performance and risk reporting as poor service performance can reflect a failure of governance.

Effective internal controls are an important part of the Corporate Governance process. Through their audit assurance work, internal audit will provide an opinion on the effectiveness of the systems of internal control.

Preparation of the Annual Governance Statement

Data is collected throughout the year, including where relevant supporting documents. The action plan is prepared and monitored.

The opinion provided by the Director of Governance on the level of assurance that the governance arrangements provide and the Statement that the Leader and Chief Executive sign will be compiled from the evidence held:

Internal Control Opinion

- An Assurance Statement from the Head of the Audit Partnership. This is compiled from the Internal Audit review of this Council's Corporate Governance arrangements.
- The Director of Governance and Monitoring Officer and the Director of Finance, Housing and Community (S151 Officer) will review the internal control opinion and framework evidence, including service assurance statements, the audit review of Corporate Governance, the Constitutional review, Performance reporting, Risk management arrangements and the individual audit and risk management assessments.

Governance and Internal Control

- Comment and recommendations from the Director of Governance and Monitoring Officer, Director of Finance, Housing and Community (Section 151 Officer) and Solicitor to the Council, who have responsibility for overseeing the operation of the Governance Framework and the Corporate Governance Local Code.
- The Director of Governance's (Monitoring Officer) review of the Council's performance against the Governance Framework.
- The Director of Governance (Monitoring Officer) and Director of Finance, Housing and Community's (Section 151 Officer) review of the Effectiveness of Internal Audit.

- Confirmation from other Directors via a Service Assurance Statement that:
 - Risks have been identified. They are recorded and monitored in accordance with the Councils Risk Management Strategy.
 - Staff are fully aware of the requirements of their job, and have access to the appropriate Council rules and policies to assist them.
 - Internal and External Audit reports and recommendations have been acted on.
 - Reports from other review agencies have been acted on.
 - Business arrangements are conducted in accordance with the law and proper standards.
 - Public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
 - The service has in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to Corporate Governance is both adequate and effective.
 - A statement of assurance that improvement plans exist to rectify any acknowledged deficiency.

- The Annual Report of the Chairman of the Standards Committee (to May 2017) on the ethical conduct of the Council.

- The Director of Governance (Monitoring Officer) and Solicitor to the Council's annual review of the Constitution.

- The Solicitor to the Council's annual statement giving his opinion on the Council's compliance with relevant laws and regulations, and its legal obligations and requirements.

- The Head of Paid Service annual statement giving his opinion on officers' compliance with the seven general principles of good conduct.

- The Head of Corporate Services annual statement giving his opinion on compliance with the Council's Risk Management Strategy.

- The Director of Shared Services annual statement giving his opinion of the Robustness of IT Systems.

Other processes and reviews

- Confirmation that Council policies are fully implemented.
- The annual Constitutional review has been undertaken.
- Checking that Council values and ethical standards are met.
- Ensuring Laws and regulations are complied with
- Publishing financial statements and performance information accurately and reliably.
- Confirmation that resources are managed efficiently and effectively.

- The External Auditor's Annual Audit and Inspection Letter, service assessments and other associated reviews.
- Confirmation that internal reviews are undertaken and findings are acted upon.
- Performance Reporting being seen to drive improvement.
- The Director of Governance and Monitoring Officer and the Director of Finance, Housing and Community (Section 151 Officer) will prepare a Draft Annual Governance Statement which will be considered by CMT and Cabinet who will provide the final review, evaluation and approval.
- The Governance Committee, acting as the Audit Committee will monitor the overall governance process and ensure that the process is robust and agreed actions identified are properly implemented.
- The final statements will then be signed before the end of June by the Leader and Chief Executive based on a clear evidence trail.

On-going monitoring and review is co-ordinated by the Director of Governance

- The contents of this code will be reviewed annually alongside the Annual Governance Assurance Statement and will be kept up to date in the light of changing circumstances. The Director of Governance (Monitoring Officer) will maintain the documentation but Members and Officers must own the whole process.
- In addition, review and monitoring will be undertaken during the course of the year. This will be co-ordinated by the Director of Governance (Monitoring Officer) and includes:
 - Monitoring the Corporate Governance arrangements and recommended courses of action by the Section 151 Officer, Monitoring Officer and Solicitor to the Council.
 - Internal Audit review of Corporate Governance arrangements and auditable activities identified through risk based audit plans.
 - Ensuring management ownership for the delivery of agreed objectives, within a Corporate Governance Framework, whilst managing effectively their identified opportunities and risks.
 - Performance measurement of governance arrangements through the collection of Governance data on the Performance Management System.
 - Performance measurement of key objectives and associated risks using agreed key and local performance indicators.
 - On-going review of Risk Management arrangements and recommended courses of action by the Head of Corporate Services, Section 151 Officer and Head of the Audit Partnership.
 - On-going monitoring and review of compliance with the Seven Principles of Conduct by the Monitoring Officer, Head of EK Human Resources, Solicitor to the Council, Head of Democratic Services and the Standards Committee.

- Ad hoc reviews initiated by the Chief Executive and/or Service Directors.
- Planned service reviews through a rolling programme of review.
- External Audit review of Corporate Governance arrangements and other auditable activities.
- The External Auditors will inspect the Annual Governance Assurance Statement, the evidence and position statements that support the statement, the risk management process and this Council's overall Corporate Governance arrangements.
- Mid-year updates are given to Governance Committee on progress in implementing actions identified in the annual statement.

The Director of Governance and Monitoring Officer, Director of Finance, Housing and Community (Section 151 Officer) and Solicitor to the Council have responsibility for overseeing the implementation and monitoring of the operation of the Local Code. The Head of the Audit Partnership has been given the responsibility for periodically reviewing the arrangements. Each of these officers also contributes to the annual assessment process and a clear separation of duties is required for these complementing but distinct roles.

Disagreements and differing opinions on the areas of non-compliance will be included within the assurance statement. They will be discussed and wherever possible agreement will be reached between signatories. An important part of the process is to develop an Action Plan to address any significant internal control issues disclosed in the statement. If agreement is not reached the Chief Executive and Leader will ultimately determine what is included, after taking advice as appropriate from the Monitoring Officer, Section 151 Officer, Solicitor to the Council and Head of the Audit Partnership.

EXAMPLE DIRECTOR'S STATEMENT - Dover District Council – Annual Governance Process

Director's Assurance Statement

The Council is required by law to include with the final accounts an Annual Governance Assurance Statement (AGAS). This statement also forms part of the Annual Governance Process.

The statement is intended to demonstrate to the public that the Council has sound governance arrangements in place including a sound system of internal control, designed to help manage and control business risk. It is considered to be an important way to demonstrate that the Council has good business practices in place, high standards of conduct and sound governance. It links to all the principles of good governance.

In support of the AGAS all Directors are required to complete, certify and return a statement of corporate responsibility. It is acknowledged that your divisions and their systems and processes can provide only reasonable and not absolute assurance that all risks have been identified, all assets safeguarded, all transactions properly authorised and recorded, and all material errors or irregularities either prevented or detected within a timely period.

The statement attached should therefore be completed 'to the best of your knowledge' and formally agreed with your Portfolio Holder.

Please return the certified statements, preferably in electronic format

Please ensure that the form is also signed by the relevant Portfolio Holder.

It is advised that you also keep securely a copy of 'the statement' made, together with a file of documentary evidence where possible. It is likely that the External Auditors will make further enquiries in connection with how the statement can be supported.

Thank you for your assistance.

David Randall
Director of Governance (and Monitoring Officer)

Mike Davis
Director of Finance, Housing and Community (and S151 Officer)

Question	Agreement Yes/No	Examples and Exceptions
In my department risks have been identified. They are recorded and monitored in accordance with the Councils Risk Management Strategy.		
Staff are fully aware of the requirements of their job, and have access to the appropriate Council rules and policies to assist them.		
The department has appropriate management and staff to enable objectives to be delivered. Performance is reviewed regularly.		
Resources at my disposal are used to achieve the Council's objectives. The level of resource is reviewed regularly.		
Suitable controls are in place to protect the Council's assets.		
Internal and External Audit reports and recommendations have been acted on. Reports from other review agencies have been acted on.		
Business arrangements are conducted in accordance with the law and proper standards		
The service has in place appropriate management and reporting arrangements to ensure effective Governance.		
Improvement plans exist to rectify deficiencies.		
Key performance targets and indicators are linked to the Corporate Plan.		

FINANCIAL STATEMENT

This statement is given in respect of the Council's (insert year) final accounts and refers to the state of my Division's operations up to the date of signature.

The information provided is given to the best of my knowledge in connection with the service areas for which I have responsibility. I have made appropriate enquiries with other officials of the Council and of information systems and records maintained and can confirm the following statements as detailed in the column below headed 'Accounts – Financial and Legal Implications'. However, where I am aware of such circumstances, I am able to provide further relevant information in the column headed 'Details and Action Plan':

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Accounts - Financial and Legal Implications	Confirmation (Yes /No) and Evidence	Details and Any Actions Planned
In my division there are no contingent liabilities (see footnote 1 below) that are likely to have a significant effect on the finances or operations of the Council.		
In my division, there are no instances of non-compliance with laws or regulations that are likely to have a significant effect on the finances or operations of the Council.		
In my division, there are no post balance sheet events (see footnote 2 below) that have occurred that are likely to have a significant effect on the finances or operations of the Council.		
In my division, there are no pending claims, proceedings or litigation that are likely to have a significant effect on the finances or operations of the Council.		
In my division, there are no other significant transactions with related parties other than those already disclosed.		
In my division, there are no instances of known error, irregularity, including fraud, which are likely to have a significant effect on the finances or operations of the Council.		

Footnotes:

1. A contingent liability is in effect a possible obligation at the balance sheet date arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events which may not be within the Council's control
2. A post-balance sheet event is an event, both favourable and unfavourable, which occurs between the balance sheet date and the date on which the financial statements are approved by the Council.

Certified by, Signature:	
Name:	
Designation:	
Date:	

Risk Management

Introduction

Risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives successfully and/or affect the reputation of the Council, which may in turn affect the ability of the Council to function effectively. Although risk is generally associated with the possibility of suffering harm, loss or liability, in some situations confrontation of risk might also enable us to capitalise on opportunities.

Risk management is the process by which risks are identified, evaluated and controlled and is a key element of the framework of governance. It is about identifying, analysing, evaluating, responding and monitoring threats and opportunities with a view to minimising the chances of failure and maximising the chances of success. Risk management is about being risk aware and not risk averse.

Following the Priority Service Review during 2010, it was agreed that this Council would apply its Risk Management Strategy to monitoring risks at Corporate and Project levels. Corporate priorities will continue to be risk assessed as a fundamental part of the Governance process. Service/Day to Day risks are monitored as appropriate by individual departments.

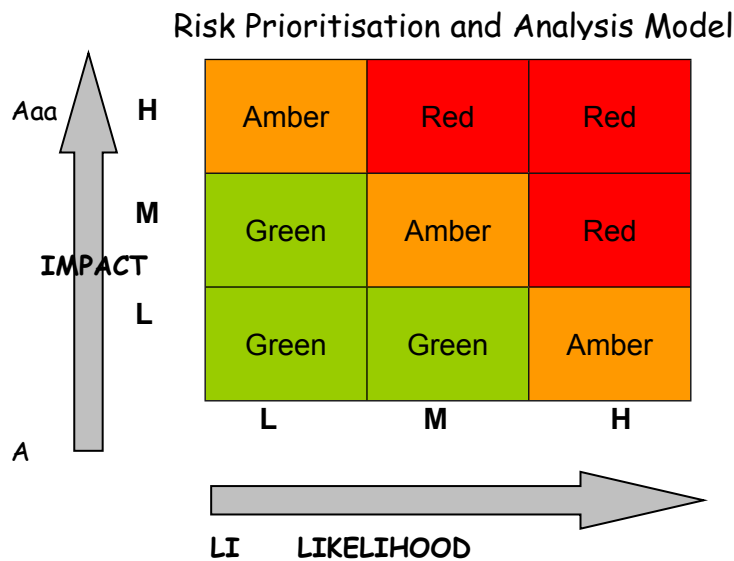
Risk Strategy and Approach

- Project Managers identify risks linked to the project objectives
- Heads of Service and Directors identify risks associated with corporate priorities within their service.
- Heads of Service and Directors identify risks arising from and within partnerships and other joint working arrangements.
- The Corporate Risk Register will comprise of Corporate and project risks.
- Ownership and responsibility is assigned to each risk identified.
- Each risk is recorded as an **inherent risk**, the management action necessary or already taken to mitigate the risk are recorded together with the subsequent **residual risk**.
- It is recognised that the risks will change over time as projects and Corporate Priorities develop, evolve and change. Through regular review of risk management arrangements it enables us to respond to these changes. The process is not a one-off exercise, but an ongoing task.
- Effective risk management helps us to deliver an appropriate balance between risk and control, ensure effective decision making, the better use of limited resources, greater innovation and consideration of positive risks (opportunities) as well as negative risks (threats) to the project.

Risk Management in Practice

- Risk Management is a five stage on-going process as follows:-
 - Identification
 - Analysis
 - Evaluation
 - Mitigation and control
 - Monitoring

- As part of risk analysis, an assessment should be undertaken of the impact and likelihood of risks occurring. Risks can then be plotted onto the following evaluation model:



- The following scoring guidance is provided to simplify the assessment process, provide consistency and assist in determining where on the grid various risks should be plotted:

IMPACT			
Key Risk Areas	High	Medium	Low
Reputational	<ul style="list-style-type: none"> Council unable to function effectively as public and partners have lost trust and/or respect 	<ul style="list-style-type: none"> Loss of confidence in the Council 	<ul style="list-style-type: none"> Loss of confidence in individual services
Communication and publicity	<ul style="list-style-type: none"> Remembered long term. Adverse national publicity 	<ul style="list-style-type: none"> Adverse headlines in social and local media 	<ul style="list-style-type: none"> Letters of complaint
Corporate Governance	<ul style="list-style-type: none"> Project will fail to be implemented. Governance Committee identify significant governance failings. Significant levels of fraud 	<ul style="list-style-type: none"> Project will be delayed. Adverse governance findings by the Cabinet/Scrutiny and Governance Committee. Extraordinary Review by External Auditors 	<ul style="list-style-type: none"> Limited Assurance following Audit

IMPACT			
Key Risk Areas	High	Medium	Low
Efficiency and Savings	<ul style="list-style-type: none"> • Failure to meet all anticipated efficiency targets • Inability to recover shortfall on budget overspend 	<ul style="list-style-type: none"> • Failure to exploit benefits of partnership working • Budget pressures with poor performance 	<ul style="list-style-type: none"> • Budget managed but performance is below that originally planned
Financial/Funding	<ul style="list-style-type: none"> • Budget Overspend > £10k or 10% • Property loss or damage > £50k. • Lack of external funding due to concerns over service delivery or project management • Substantial loss or failure of investments 	<ul style="list-style-type: none"> • Budget Overspend up to £10k or 10% • Unaccountable short falls in stock/inventories or other assets. • Property loss/damage in excess of £50k. • Lack of provision when funding stream ends 	<ul style="list-style-type: none"> • Budget Overspend up to £10k
Health & Safety	<ul style="list-style-type: none"> • Potential for loss of life • Large scale major illness • Forced closure of offices/leisure facilities/block of flats due to H&S legislation • HSE Investigation with Fine 	<ul style="list-style-type: none"> • Major illness • Serious injury - including disablement • Forced close of smaller office/facility due to failure to comply with H&S legislation 	<ul style="list-style-type: none"> • Broken bones/illness • Partial closure of offices/facility
IT	<ul style="list-style-type: none"> • Complete failure of IT system. • Breach of licence. 	<ul style="list-style-type: none"> • Temporary failure of IT system. • Software problems. 	<ul style="list-style-type: none"> • Minor problems with new software.
Project aims	<ul style="list-style-type: none"> • Objectives of project not achieved. • Time/costs greatly exceeded. 	<ul style="list-style-type: none"> • Key Milestone missed. 	<ul style="list-style-type: none"> • Minor delays/problems.
Personnel resourcing	<ul style="list-style-type: none"> • Critical staff resignations. • Inability to attract new staff 	<ul style="list-style-type: none"> • Industrial action 	<ul style="list-style-type: none"> • Some hostile relationships, minor non-co-operation
Service delivery	<ul style="list-style-type: none"> • Long-term suspension of service. • Failure of service. • High level of public dissatisfaction. 	<ul style="list-style-type: none"> • Short term reduction in service provision. • Pockets of dissatisfaction. 	<ul style="list-style-type: none"> • Low standard of service provision evidenced by messages of complaint

IMPACT			
Key Risk Areas	High	Medium	Low
Statutory Responsibilities	<ul style="list-style-type: none"> • Failure to enforce regulatory powers. • Major fraud. • Criminal Proceedings against the Council. • Public Inquiry to review substantial failure of a Council Service. Adverse findings of Standards Committee. No contingency planning.	<ul style="list-style-type: none"> • Adverse finding by the Local Authority Ombudsman. Failure to test emergency plans.	<ul style="list-style-type: none"> • Minor breach

LIKELIHOOD			
	High	Medium	Low
Timing	Imminent	Next 12 months	After 12 months
Probability	<75%	25-75%	>25%

Risk Methodology

- Project and corporate risks are identified in line with the project and corporate priorities and objectives. Associated risks, threats and opportunities are determined for each objective and priority.
- Risks are evaluated in terms of likelihood and impact, which will determine where the axes or parameters on the model will be drawn. This will determine the categories each risk falls into.
- Each significant risk will be considered in context. The potential impact will be measured against the possible benefits and it will then be assessed as to whether it is worthwhile to continue with a particular objective if the risk outweighs the reward.
- Risk mitigation is the stage of the process when action can be taken to minimise the likelihood of risks occurring, or to reduce the severity of the consequences should it occur.
- The final stage of the risk management process will be the effective monitoring and review of the identified risks to ensure the successful delivery of the project or corporate priority. This process will also assess whether the nature of risk has changed over time.

Risk Management Strategy

The risk management policy of Dover District Council is to adopt cost-effective practices in the assessment of risks to ensure that they are eliminated or reduced to an acceptable level. This will help safeguard assets, employees, customers and the delivery of services to the local community.

The Council pursues a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements. Of particular importance are the Financial and Contract Procedure Rules which ensure that the Council does not expose itself to risks above an acceptable level.

The risk management objectives of the Council are to:

- Help ensure that the Council's key corporate priorities are delivered
- Manage and mitigate project risk
- Be responsive to changing social, environmental and legislative requirements whilst being aware of the related risks and opportunities
- Take reasonable steps to prevent injury, damage and loss and reduce the cost of risk

These objectives will be achieved by:

- Defining roles and responsibilities of Officers and Members within the organisation in relation to risk management.
- Providing relevant training on risk management to relevant officers and Members of the authority
- Encouraging officers participating in other professional discipline groups to consider risk management.
- Making sure officers are made aware of risk management information received from insurers and other related sources.
- Maintaining a risk management framework to provide for:-
 - A useful and meaningful Corporate risk register
 - Appropriate incident recording to enable the analysis of risk data
 - The annual review of the risk management framework

Roles and Responsibilities

Members

- The Governance Committee has specific responsibility included in its terms of reference for providing independent assurance on the adequacy of the control and risk management framework and the associated control environment.
- The Governance Committee also has responsibility for the independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.

Executive and Corporate Management Team

- Corporate Management Team is responsible for identifying key risks as part of their strategic responsibilities.
- The Director of Governance will undertake an annual strategic risk review
- The Director of Governance, supported by the Head of Corporate Services has overall responsibility for ensuring the minimum agreed level of risk management is undertaken.

Directors/Head of Service

- Directors and Heads of Service in conjunction with members of their teams and other parties/partners (where applicable), will review and monitor project and corporate risks relating to their services.

Employees Generally

- Employees will be expected in the first instance, to refer risk management concerns to their line managers. Should such concerns remain outstanding, then employees can refer their concerns elsewhere as prescribed in the Council's Whistleblowing Guide.

Insurance

- The Director of Governance in consultation with the Corporate Services (Insurance Team) will:
 - Regularly review and advise upon the Council's insurance requirements and arrangements, and arrange insurance cover as necessary
 - Annually review the adequacy of the Council's internal Insurance Provisions and Reserves, and advise on action to be taken
 - Advise Officers and Members on insurance covers available and/or in place and advise Officers on claims procedures, and process claims arising
 - Assist in the development and provision of claims data to aid future risk control

Performance Management

Introduction

Dover District Council recognises that to achieve its corporate objectives and to deliver efficient services for the community, there is the need for effective performance management, supporting Council priorities and informing decision making, with links to the service planning and budget setting processes.

Performance Management Framework

Performance Planning

- Translates corporate objectives into targets for financial and Business plans.
- Drives performance by developing the most efficient working practices and sharing them across the Council.
- Preparation of plans and targets should engage all staff.

Performance Monitoring

- Links strategies, plans, people and performance and assess how well and efficiently we are performing.
- Helps us be transparent.
- Monitoring enables employees to see how their actions impact on the corporate plan, strategic objectives, Business plans and individual objectives by linking these all together.
- Converts plans into measurable goals and shows where we are providing good value.

Performance Reporting

- Reports on outcomes and gives early warning of potential failures
- Provides an opportunity to capture and share information and ideas
- Increases operational efficiency.
- Helps manage services effectively.
- Increases accountability to the community.
- Increases cross service awareness
- Recognises individuals' roles in the process and their contribution.

The steps involved in the performance planning process are:

Timescale	Activity
Continuous	The Corporate Plan is a continuously evolving document which includes the latest high level strategic priorities and priority actions for the Council.
September	Each September, Directors and Heads of Service identify their objectives for the next financial year. These will be closely aligned to those shown in the Corporate Plan. Interim Personal Performance Reviews held. Objectives and targets are adjusted if necessary.
October	Revenue Budget estimates are prepared for the coming year.

Timescale	Activity
November/December	Draft Business plans and service budgets are reviewed/finalised making sure that they align with the Corporate Plan and the budget. Business plans include service objectives; these can be measured by performance indicators where necessary. Shared services develop plans and targets ready for agreement by the respective Directors, DDC Client Officers and the relevant Portfolio Holder.
December	Business Plans and Budgets are agreed.
April	Personal Performance Reviews are also undertaken, reviewing individual performance against objectives. New personal targets are agreed. Corporate and Business Plans become live documents

The Corporate Plan

The Corporate Plan is a continuously evolving document which includes the latest high level strategic priorities and actions for the Council. It covers a 3 – 5 year span.

Top level, objectives and targets emanate from the corporate plan, cascading down to service divisions as a starting point for the preparation of service plans.

Service Strategies

The Council is responsible for a number of service strategies and plans. These are not annual documents but have a longer lifespan. Any targets and objectives resulting from these strategies are incorporated into the relevant Business Plan.

Business Plans

The Business Plan is one of the central mechanisms for each Director and Head of Service managing their own area of activity and therefore sits at the centre of the Corporate Governance process. It links corporate objectives, business objectives and personal objectives.

The Business Plan is the document that translates the strategic aims of the Council into service objectives and an annual programme of appropriately resourced activities. These are managed and monitored by the relevant Director and Heads of Service.

Each year Directors and Heads of Service are required to identify and review their key service objectives; these should also support and reflect corporate priorities. In developing objectives directors should consult with all their team members as well as portfolio holders. Service objectives need to be measurable using milestones or performance indicators.

Completed Business plans are forwarded to the corporate services team where targets are collated, ready for monitoring and publishing in the quarterly performance report. Corporate management team identify key service objectives and indicators for the Council, for Cabinet/Council consideration and endorsement.

Shared Services

Shared services also develop plans and targets which are agreed by their respective Directors, DDC Client Officers and the relevant Portfolio Holder. These are agreed by

Cabinet and in case of dispute the East Kent Services Board (Chief Executives Group) will mediate.

Performance Monitoring

Performance results are collated by Corporate Services into the Performance Report and reported quarterly to CMT and Cabinet. The report is then available for full scrutiny by the Scrutiny (Policy and Performance) Committee. It provides an up to date picture of the Council's current performance with commentary from the relevant Director.

Partnership Evaluation Criteria

The Council has adopted partnership evaluation criteria as part of this framework. The objective of the evaluation is to measure the effectiveness of partnerships from the Council's perspective. It is used to evaluate new partnerships, and as an annual review of high risk/profile partnerships.

The Performance Report

On a quarterly basis the following key areas of performance are monitored and reported via the performance report:

Service Delivery

This section reviews performance against key service targets. These are the indicators that are considered as key to the achievement of Corporate and Service objectives. If any are showing weakness or failure, details of the proposed recovery action will be provided.

Director's comments

A short summary by the Director of each division and from the Directors of shared services.

Performance Comments

A short explanation of any underperforming areas or performance indicators.

Key initiatives and Outcomes

Comments on specific projects/events which the director needs to bring to Members and public attention, especially those that will bring changes to the service delivery or have an impact on the current ways of working.

Concerns/Risks

A short description of anything which may affect performance, service delivery or output.

Financial Performance

This section provides a summary of budget and actual.

The Performance Report is published on the Council's website.

Quarterly Focus

A detailed analysis of a business area or specific topic.

The Quarterly Review Process

The Performance report is reviewed firstly by CMT who take an active interest in overall performance. They look to take action to address weaknesses, and highlight success. Action plans enable the process to concentrate on the action being taken to address weaknesses, rather than becoming involved in identification of the weaknesses themselves.

The report is then considered by the Cabinet Member with responsibility for Governance and then by Cabinet and Scrutiny, with recommendations from Scrutiny being made back to the Cabinet.

The On-going Review Process

Service Directors feedback performance information to the staff in their divisions. They discuss with their divisions and/or teams performance against service objectives, budget profile, and performance indicators.

Cabinet formally reviews key performance issues and CMT comments. This is scrutinised by the Scrutiny (Policy and Performance) Committee.

Performance Indicators

Performance indicators help to measure service objectives and targets and are one of the ways that the public can judge how well the Council is performing.

- All Services must provide their performance results to the Corporate Services Team at the end of each quarter. The results are then input into a data collection system ready for producing the Performance Report. An accuracy check is done on any indicators that do not look consistent or represent a significant variation from the target or previous reporting.
- Directors and Heads of Service are responsible for ensuring the accuracy of their published figures.
- If an outside body has set indicators Directors are responsible for ensuring the published results are calculated in accordance with those bodies' definitions.

Timing for Submitting Indicator Results

- Quarterly Results must be prepared for the quarters ending 30 June, 30 September, 31 December and 31 March for inclusion in the quarterly Performance Report. The results should be sent to Corporate Services as soon as possible after the quarter end. In case of difficulty, the Corporate Services officer needs to be informed.

Standards for Target Setting

- Targets are discussed and agreed by the Directors and Portfolio Holder(s) prior to inclusion in Business Plans. Corporate Management Team will review all targets to ensure that a realistic, but challenging level of performance improvement is being sought. Targets are then taken to Cabinet for approval. Arrangements for achieving targets should be built into Business Plans.

Acting on Performance Information

- All Directors and Heads of Service should be able to demonstrate that they have used their performance information in the management and improvement of their service. In particular to ensure that poor performance is acted on immediately and that good performance is developed to become excellent performance.
- Regular feedback should be given via weekly or monthly team meetings, 1:1 sessions, information on the Performance Information notice boards (as appropriate), and publication on the intranet.

Financial Performance

The Council's financial monitoring and reporting arrangements are an important part of performance management. Revenue and capital budgets are assigned to individual managers to enable them to deliver objectives and priorities of the Council and it is therefore vitally important that these are carefully managed.

Expenditure and income is monitored at budget manager level. There is an electronic budget monitoring system which the budget manager is expected to update. Members of accountancy staff keep a watching brief on expenditure and liaise with Managers where necessary.

The Accountancy team will look at the expenditure from a strategic viewpoint to ensure that the Council has the necessary financial resource to deliver its priorities. This will include the examination of budget pressures and commitments from a corporate viewpoint. Budget reports are then prepared for Management and Members.

Individual Performance Appraisal Review

The Council has an individual Performance Review process for employees that is designed to ensure everyone:

- Knows what they have to do and the standards expected of them in their job
- Knows how what they do fits in with the aims of the Council and their own particular service
- Has the skills to help them deliver excellent services
- Receives feedback on how they are performing in their job and identifies any training and development needs
- Knows how their personal objectives link to wider service and corporate objectives

The Performance Review process involves twice yearly interviews between an employee and their manager. These take place in September and April each year. The first meeting enables the results to be considered as part of Business Planning, Corporate Planning, budget setting and development of training plans. The second meeting is a mid year review that examines outturn performance for the financial year and reviews the objectives and targets set.

Alongside the formal Performance Review system is the need for regular dialogue with all team members, either on a 1:1 basis or in small groups to discuss performance issues. In

particular it will be important to celebrate performance successes and identify weaknesses. For poor or failing performance it is important to identify with team members the reasons why, and identify what action is necessary and any resource or procedural implications.

Quality Assurance, Audit & Risk Management

The Council has a number of systems and processes to check and monitor the way it carries out its activities. These include:

Audit and Performance Teams

The Council's Corporate Services Team and East Kent Audit Partnership provide an internal checking and monitoring role in relation to a number of key areas of work. One of their roles is ensuring that the Council is delivering its corporate objectives with the minimal level of risk. The Audit team assesses whether management has identified and acted on key business risks and that the internal control system is operating effectively. This work includes reviewing systems and processes.

External auditors annually review our financial statements and examine our governance arrangements. Their findings are reported in the Annual Audit Letter.

Subject:	TREASURY MANAGEMENT YEAR-END REPORT
Meeting and Date:	Governance – 29 June 2017 Cabinet – 3 July 2017 Council – 19 July 2017
Report of:	Mike Davis, Director of Finance, Housing and Community
Portfolio Holder:	Councillor Mike Connolly, Portfolio Holder for Corporate Resources and Performance
Decision Type:	Non-Key Decision
Classification:	Unrestricted

Purpose of the report:	To provide details of the Council's treasury management for the financial year ended 31 March 2017 (Q4) and an update of activity to date.
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Recommendation:	That the report is received
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1. Summary

This report covers the outturn for the year ending March 2017, and will also be included in the Cabinet agenda. The main points to note are that, while we are outperforming the benchmark, interest rates are down, we are working to get the best returns we can, but nonetheless, we are likely to see falling income from interest in the future that will be an additional budget pressure. To mitigate this, we have appointed new treasury advisers, Arlingclose Ltd, from 1st April 2017, to explore alternative treasury management options.

As at 31st March 2017, the Council's in-house investment portfolio totalled £55.7m (see Appendix 2). The revised Treasury Management Strategy Statement (TMSS) for 2016/17 was updated and approved at the end of November 2016, with the view to increasing borrowing limits only (see section 5 below).

Additionally, cashflow funds were higher than anticipated (£10.7m at 31st March 2017) due to a capital receipt of £7.6m on 29th March 2017 relating to sale of land at Aylesham, which was temporarily placed in the Standard Life Money Market Fund. Cashflow funds have since reduced (to £6.3m at 31st May 2017), partly as a result of re-investing the capital receipt.

The Council has remained within its Treasury Management guidelines, except for briefly exceeding the counter party limit of £8m with Standard Life Money Market Fund, which stood at £9.5m for two days only, due to the Aylesham capital receipt. The Council has remained within the Prudential Code guidelines during the period.

The Council's investment return for the year was 0.50%, which outperformed the benchmark¹ by 0.18%. The Council's budgeted investment return for 2016/17 was £329k, and performance for the year was £342k, which is a favourable variance of

¹ The "benchmark" is the interest rate against which performance is assessed. DDC use the London Inter-Bank Bid Rate or LIBID, as its benchmark.

£13k. This is partly due to the use of notice accounts and the higher level of balances available for deposit generally, which has enabled us to maintain projected investment income against a background of decreasing interest rate returns.

2. Introduction and Background

CIPFA (the Chartered Institute of Public Finance and Accountancy) issued the revised Code of Practice for Treasury Management in November 2011: it recommends that members should be updated on treasury management activities at least twice a year, but preferably quarterly. This report therefore ensures this council is implementing best practice in accordance with the Code.

In order to comply with the CIPFA code referred to above, a brief summary is provided below and Appendix 1 contains a full report from the Council's treasury management advisers, Arlingclose Ltd. Please note that our previous treasury advisers, Capita Asset Management, ceased to provide the advisory function as at 31st March 2017 and the details at Appendix 1 have therefore been provided by their successors, Arlingclose.

Members are asked to note that in order to minimise the resource requirements in producing this report, Arlingclose's report has been taken verbatim with regards to their explanation of the economic background. Generally, treasury advisers use a more journalistic style than is used by our officers, but in order to avoid changing the meaning or sense of Arlingclose's work, this has not been edited out.

Council adopted the 2016/17 Treasury Management Strategy Statement (TMSS) on 4 March 2016 as part of the 2016/17 Budget and Medium Term Financial Plan. This has been updated twice during the year, for borrowing limits (see section 5 below, "New Borrowing").

With the appointment of new treasury advisers, we expect to revise the TMSS for 2017/18 to potentially use additional investment instruments and consider other approaches to the Council's investment strategy. Approval will be sought for the revised TMSS through the normal committee reporting processes prior to taking any action recommended by the new treasury advisers that is currently outside the TMSS for 2017/18 approved at Council on 1st March 2017.

3. Annual Investment Strategy

The Gilt holding of £1.9 million remains with King and Shaxson and will be held until its maturity date of July 2018.

The investment portfolio as at the end of March is attached at Appendix 2. Since the end of the quarter, three deposits have matured. The £8m Barclays' deposit that matured on 5th April 2017 has been invested with two Local Authorities for a period of three months from 10th April at a rate of 0.30% (£5m with Suffolk County Council and £3m with Blackpool Borough Council). The Leeds Building Society investment of £5m that matured on 6th April 2017 was returned to cashflow funds and used to repay a £4m temporary loan from South Holland District Council. Separately, £7.5m of the capital receipt received from the sale of land at Aylesham has been invested with Birmingham City Council for 12 months at a rate of 0.70%. The Lloyds investment of £1m that matured on 11th May 2017 has not yet been reinvested and is currently part of the Bank of Scotland 'call account' balance.

Cash flow funds decreased from £14.2m at 31st December 2016 to £10.7m at 31st March 2017 (see Appendix 2). This is normal and expected, as there are reduced council tax receipts in February and March (generally paid over 10 months from April to January), while preceptors on the Collection Fund are paid their shares of Council Tax income evenly over the year. There was also a further six-monthly PWLB loan instalment of £2.35m paid for the 2016/17 year at the end of March. Cashflow funds have decreased from £10.7m at the end of March 2017 to £6.3m at the end of May 2017 (see Appendix 4), which partly arises from the decision to invest the Aylesham land sale money in a fixed term deposit with another local authority.

Please note that, following the Brexit vote and the reduction in bank base rate, interest rates dropped with all institutions. There is some expectation of a further base rate cut and some institutions may price this in, leading to further reductions in rates offered and pressure on investment income for 2017/18. However, the Arlingclose central case is for bank rate to remain at 0.25%, but there is a low possibility of a drop to close to zero.

4. **Economic Background**

The report attached (Appendix 1) contains information up to the end of March 2017; since then we have received the following update from Arlingclose. Please note that any of their references to quarters are based on *calendar* years:

Introduction

Commodity prices slid back in April with oil falling below \$50 a barrel – a 5 month low – as did industrial metal prices (iron ore, copper, zinc). The primary factor in the oil price fall was oversupply and a lack of belief in OPEC's (Organisation of Petroleum Exporting Countries) ability to deliver on agreed production caps of members.

UK Data

UK Consumer Price Index (CPI) rose over the quarter and the data print for May showed CPI at 2.9%, its highest since June 2013. The effect of the fall in fuel prices was offset by rises in a number of other categories in the CPI 'basket' as the fall in the value of sterling following June 2016's referendum result continued to feed through into higher import prices. The most recent labour market data for April 2017 showed that the unemployment rate at 4.6% remained at its lowest since July 1975 but that the squeeze on real wages (i.e. after inflation) is intensifying and resulting in negative real wage growth. Q1 GDP data released in April and revised in May showed economic activity growing at a much slower pace of 0.2%. However recent surveys indicate that the slowdown in the first quarter is being viewed as an anomaly and that Q2 GDP could rebound. Understandably, the Bank of England made no change to monetary policy and none is expected at its meeting on 15th June.

US Data

Having raised rates in March, the US Federal Reserve made no change to monetary policy at the conclusion of its meeting in May. The recent weakness witnessed in the first print of Q1 US GDP was noted in the accompanying statement but the Fed viewed this as a transitory issue and was of the view that the GDP path and household spending would recover during 2017. The Fed's outlook supports two further rate hikes during 2017 with the first likely in June when a 0.25% increase would take US official interest rates into the 1.00%-1.25% range. (please note that the outcome of the Federal Reserve meeting will be known around 1900 hours on Wed 14th June).

Impact of General Election

The non-economic event which has and will continue to have a significant impact in the medium term is June's General Election which was called by Prime Minister Theresa May to resolve uncertainty and in the hope of providing her an enhanced mandate to enter the forthcoming Brexit negotiations. The shock result was of no winner in overall political party terms, and the ultimate outcome of this election now hinges on the ability of the Conservatives to reach an agreement with the Democratic Unionist Party (DUP) in Northern Ireland and its 10 sitting MPs to form a coalition government that can work cohesively over a challenging two year period ahead. On a more immediate note there is real pressure to demonstrate that a Queen's Speech can be passed in the new Parliament with Brexit negotiations due to commence on 19th June so as to remain within the 2 year timeframe triggered by Article 50. This political impasse clearly results in an enhanced level of political uncertainty, however the potential for a so-called hard Brexit are now much diminished, reducing the associated economic headwinds for the UK economy from a 'no deal' or hard Brexit.

Up to now the reaction from the markets on the election's outcome has been fairly muted, business confidence now hinges a lot on the progress or not on Brexit negotiations, the success of concluding new trade treaties and whether or not the UK continues to remain part of the EU customs union post the country's exit from the EU (the pre-election objective of the government was for the UK to be outside the EU Common External Tariff).

Bank Base Rate

Arlingclose expects the Bank of England will look through periods of high inflation, and maintain its low-for-longer stance on policy rates for an extended period.

BANK RATE

Q2 2017	0.25%
Q3 2017	0.25%
Q4 2017	0.25%
Q1 2018	0.25%

5. New Borrowing

The Council's borrowing portfolio is attached at Appendix 3. The only new borrowing undertaken during the quarter was a short-term loan of £4m. This was taken out on 22nd March 2017 to cover an expected shortfall in cash flow money over the year-end, but this shortfall did not materialise due to the capital receipt from the sale of land at Aylesham. The loan was repaid on 21st April 2017. The interest paid was minimal and is offset within the final investment income figure of £342k, which exceeded budget by £13k.

Council approved a revised TMS on 28th September 2016 to increase *borrowing limits* to enable the borrowing to support the Dover Leisure Centre project to be undertaken, and a further update on 30th November 2016 to approve a further increase in *borrowing limits* to fund the separate Property Investment Strategy, which itself was approved at the 30th November meeting. Details of any specific borrowing will be advised to Members as part of the quarterly update reports when it is undertaken. None was undertaken in the quarter to March 2017. However, it is likely that borrowing *will* be undertaken in 2017/18, dependent on timing of projects and progress under the property investment strategy.

6. **Debt Rescheduling**

At this time it is not of benefit to the Council to consider rescheduling of its long-term debt.

7. **Compliance with Treasury and Prudential Limits**

The Council has operated within the Prudential Indicators in compliance with the Council's Treasury Management Practices, but has briefly exceeded the level of permissible deposit with Standard Life Money Market Fund as mentioned above (for two days only). Otherwise the Council has remained within its Treasury Management guidelines.

8. **Corporate Implications**

Comment from the Section 151 Officer: Finance have no further comments to make. (SG)

Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make.

Comment from the Equalities Officer: This report does not specifically highlight any equalities implications however, in discharging their responsibilities members are required to comply with the public sector equality duty as set out in section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15>

Appendices

Appendix 1 – Arlingclose treasury management outturn report for 2016/17

Appendix 2 – Investment portfolio as at 31 March 2017

Appendix 3 – Borrowing portfolio as at 31 March 2017

Appendix 4 – Investment portfolio as at 31 March 2017

Background Papers

Medium Term Financial Plan 2016/17 – 2018/19

Contact Officer: Stuart Groom, extension 2072

Treasury Management Outturn Report 2016/17

Introduction

In March 2012 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management annual report after the end of each financial year.

This report fulfils the Authority's legal obligation to have regard to the CIPFA Code.

The Authority's treasury management strategy for 2016/17 was approved at a meeting of the Authority on 2 March 2016. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

External Context

Economic background: Politically, 2016/17 was an extraordinary twelve month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45th President of the USA. Uncertainty over the outcome of the US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29th March 2017.

UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year/year in April 2016 to 2.3% year/year in March 2017.

In addition to the political fallout, the referendum's outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee (MPC) to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases as well as provide cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy.

Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016. The labour market also proved resilient, with the ILO unemployment rate dropping to 4.7% in February, its lowest level in 11 years.

Following a strengthening labour market, in moves that were largely anticipated, the US Federal Reserve increased rates at its meetings in December 2016 and March 2017, taking the target range for official interest rates to between 0.75% and 1.00%.

Financial markets: Following the referendum result, gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. After September there was a reversal in longer-dated gilt yields which moved higher, largely due to the MPC revising its earlier forecast that Bank Rate would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, almost back at pre-referendum levels of 1.37% on 23rd June. 20- and 50-year gilt yields also rose in Q3 2017 to 1.76% and 1.70% respectively, however in Q4 yields remained flat at around 1.62% and 1.58% respectively.

After recovering from an initial sharp drop in Q2, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7342 and 3996 respectively on 31st March, both up 18% over the year. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March.

Money market rates for overnight and one week periods remained low since Bank Rate was cut in August. 1- and 3-month LIBID rates averaged 0.36% and 0.47% respectively during 2016-17. Rates for 6- and 12-months increased between August and November, only to gradually fall back to August levels in March, they averaged 0.6% and 0.79% respectively during 2016-17.

Credit background: Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune, although the fall in their share prices was less pronounced.

Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome.

None of the banks on the Authority's lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios, although Royal Bank of Scotland was one of the weaker banks in both tests. The tests were based on banks' financials as at 31st December 2015, 11 months out of date for most. As part of its creditworthiness research and advice, the Authority's treasury advisor Arlingclose regularly undertakes analysis of relevant ratios - "total loss absorbing capacity" (TLAC) or "minimum requirement for eligible liabilities" (MREL) - to determine whether there would be a bail-in of senior investors, such as local authority unsecured investments, in a stressed scenario.

Local Context

On 31st March 2017, the Authority had net borrowing / investments of £25m arising from its revenue and capital income and expenditure, an increase on 2016 of £14m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in table 1 below.

Table 1: Balance Sheet Summary

	31.3.16 Actual £000	2016/17 Movement £000	31.3.17 Actual £000
General Fund CFR	11,685	0	11,685
HRA CFR	78,358	2,081	76,277
Total CFR	90,043	2,081	87,962
Less: Usable reserves	(46,010)	10,918	(56,928)
Less: Working capital	(4,920)	801	(5,721)
Net borrowing	39,113	13,800	25,313

Net borrowing has decreased due to a fall in the CFR as new capital expenditure was lower than the financing; together with an increase in usable reserves, especially due to £17m in the capital receipt reserve; and a rise in working capital due to the timing of receipts and payments.

The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 31st March 2017 and the year-on-year change in show in table 2 below.

Table 2: Treasury Management Summary

	31.3.16 Balance £000	2016/17 Movement £000	31.3.17 Balance £000	31.3.17 Rate %
Long-term borrowing	87,669	(2,154)	85,515	3.39
Short-term borrowing	2,086	4,068	6,154	0.40
Total borrowing	89,755	1,914	91,669	
Short-term investments	34,452	21,252	55,704	0.50
Cash and cash equivalents	16,190	(5,538)	10,652	0.50
Total investments	50,642	15,714	66,356	
Net borrowing	(39,113)	13,800	(25,313)	

The decrease in net borrowing in table 1 has translated into a rise in investment balances due to the Authority's internal borrowing policy. The increase in investment balances is mainly due to a capital receipt of £7.6m received in March 2017.

Borrowing Activity

At 31st March 2017, the Authority held £92m of loans, an increase of £2m on the previous year, as part of its strategy for funding previous years' capital programmes. The year-end borrowing position and the year-on-year change in show in table 3 below.

Table 3: Borrowing Position

	31.3.16 Balance £000	2016/17 Movement £000	31.3.17 Balance £000	31.3.17 Rate %
Public Works Loan Board	86,756	(2,087)	84,669	3.39
Banks (LOBO)	3,000	0	3,000	4.75
Banks (fixed-term)	0	0	0	
Local authorities (long-term)	0	0	0	
Local authorities (short-term)	0	4,000	4,000	0.40
Total borrowing	89,756	1,913	91,669	

The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

The Authority continues to hold £3m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during 2016/17.

Investment Activity

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2016/17, the Authority's investment balance ranged between £55.7 and £66.7 million due to timing differences between income and expenditure. The year-end investment position and the year-on-year change is shown in table 4 below.

Table 4: Investment Position

	31.3.16 Balance £000	2016/17 Movement £000	31.3.17 Balance £000	31.3.17 Rate %
Banks & building societies (unsecured)	39,182	12,737	51,919	0.48
Covered bonds (secured)	0	0	0	
Government (incl. local authorities)	1,910	3,000	4,910	0.85
Corporate bonds and loans	0	0	0	
Money Market Funds	9,550	(23)	9,527	0.32
Other Pooled Funds	0	0	0	
Total investments	50,642	15,714	66,356	

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance

between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

In furtherance of these objectives, and given the increasing risk and falling returns from short-term unsecured bank investments, the Authority is looking to further diversify into more secure and/or higher yielding asset classes during 2017/18. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in table 5 below. The potential benefits of future diversification can be seen by comparison to other local authorities (LAs) below.

Table 5: Investment Benchmarking

	Credit Score	Credit Rating	Bail-in Exposure	WAM* (days)	Rate of Return
31.03.2016	4.22	AA-	66%	53	0.71%
30.06.2016	4.21	AA-	64%	57	0.69%
30.09.2016	4.30	AA-	66%	54	0.60%
31.12.2016	4.33	AA-	64%	50	0.52%
31.03.2017	4.30	AA-	60%	47	0.61%
Similar LAs	4.18	AA-	58%	137	1.68%
All LAs	4.30	AA-	60%	47	1.14%

Performance Report

The Authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below.

Table 6: Performance

	Actual £000	Budget £000	Over/ (under)	Actual %	Benchmark %	Over/ (under)
Interest received	342	329	13	0.50	0.32	0.18
Interest payable	3,021	3,020	1	3.39	3.39	0

Compliance Report

The Director of Finance is pleased to report that all treasury management activities undertaken during 2016/17 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy, with the minor exception of £9.5m being held in the Standard Life Investments Money Market Fund for two full days only, following a capital receipt from the sale of land at Aylesham (29th - 31st March 2017). Compliance with specific investment limits is demonstrated in table 7 below.

Table 7: Investment Limits

	2016/17 Maximum	31.3.17 Actual	2016/17 Limit/%	Complied
Operating Bank (NatWest)	£14.3m	£1.1m	£20m	✓
Unsecured investments with other UK banks	£8m	£8m	£8m	✓
Investments held in a broker's nominee account	£8m	£1.9m	£8m	✓
Unsecured investments with Building Societies	£8m	£5m	£8m	✓
Money Market Funds	£9.5m	£8m	£8m	*
Individual Local Authorities	£3m	£3m	100%	✓

* exceeded for two days only, as previously described, otherwise £8m or less with any MMF at any time.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 8 below.

Table 8: Debt Limits

	2016/17 Maximum £000	31.3.17 Actual £000	2016/17 Operational Boundary £000	2016/17 Authorised Limit £000	Complied
Borrowing	92,000	91,913	333,000	338,500	✓
Total debt	92,000	91,913	333,000	338,500	✓

Since the operational boundary is a management tool for in-year monitoring, it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. Total debt was above the operational boundary for 0 days during 2016/17.

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: For 2016/17 our approved creditworthiness policy was to follow the Capita Asset Services creditworthiness service using credit ratings from the three main credit rating agencies (Fitch, Moody's and Standard and Poor's), overlaid with credit default swap spreads, sovereign ratings for countries, and other data, as laid out in the 2016/17 TMSS. The policy was complied with throughout the year.

Liquidity: The Authority seeks to maintain a bank overdraft facility of £0.5m and to maintain liquid short term deposits of at least £1m available with a week’s notice. This minimum was maintained, including by borrowing £4m from another local authority from 22nd March 2017 to 21st April 2017 to meet expected payments. The receipt of £7.6m from the sale of land at Aylesham on 29th March 2017 meant that funds were, in fact, higher than expected.

Interest Rate Exposures: This indicator is set to control the Authority’s exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of principal borrowed was:

	31.3.17 Actual	2016/17 Limit	Complied
Upper limit on fixed interest rate exposure	100%	100%	✓
Upper limit on variable interest rate exposure	0%	30%	✓

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity Structure of Borrowing: This indicator is set to control the Authority’s exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	31.3.17 Actual £000	Upper Limit	Lower Limit	Complied
Under 12 months	9,729	50%	0	✓
12 months and within 24 months	3,373	50%	0	✓
24 months and within 5 years	7,243	50%	0	✓
5 years and within 10 years	13,695	100%	0	✓
10 years and above	61,282	100%	0	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

In-house Investments as at 31/03/17

Organisation	Type of investment	Current rating	Issue Date	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating	Options available
Held in Custody at Kings and Shaxon								
United Kingdom	Gilt		24/05/2013	22/07/2018	1.250	950,000		
United Kingdom	Gilt		11/06/2013	22/07/2018	1.250	960,000		
						1,910,000		

In-house Investments - Portfolio:

								Duration
Nationwide	Fixed term deposit	A/F1/5	04/01/2017	04/07/2017	0.420	1,000,000	UK - Gov 'AA'	184 days
Lloyds	Fixed term deposit	A+/F1/5	30/01/2017	31/07/2017	0.600	2,000,000	UK - Gov 'AA'	185 days
Nationwide	Fixed term deposit	A/F1/5	01/02/2017	01/08/2017	0.370	3,000,000	UK - Gov 'AA'	184 days
Nationwide	Fixed term deposit	A/F1/5	24/02/2017	24/08/2017	0.370	3,000,000	UK - Gov 'AA'	184 days
Barclays	Fixed term deposit	A/F1/5	04/10/2016	05/04/2017	0.451	8,000,000	UK - Gov 'AA'	183 days
Leeds BS	Fixed term deposit	A-/F1/5	06/10/2016	06/04/2017	0.460	5,000,000	UK - Gov 'AA'	182 days
Lloyds	Fixed term deposit	A+/F1/5	11/11/2016	11/05/2017	0.600	1,000,000	UK - Gov 'AA'	182 days
Lloyds	Fixed term deposit	A+/F1/5	19/12/2016	20/06/2017	0.600	3,000,000	UK - Gov 'AA'	183 days
Bank of Scotland	Fixed term deposit	A+/F1/5	28/12/2016	28/06/2017	0.600	7,400,000	UK - Gov 'AA'	182 days
Lloyds	Fixed term deposit	A+/F1/5	28/12/2016	28/06/2017	0.600	2,000,000	UK - Gov 'AA'	182 days
Eastleigh Borough Council	Fixed term deposit	A+/F1/5	24/02/2017	24/08/2017	0.430	3,000,000	UK - Gov 'AA'	182 days
HSBC (Evergreen)	Notice Savings Account	AA-/F1+/1	26/02/2016		0.357	7,526,025	UK - Gov 'AA'	90 days notice required to withdraw funds
Santander	Notice Savings Account	A/F1/2	02/04/2016		0.650	7,868,176	UK - Gov 'AA'	95 days notice required to withdraw funds

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53,794,200

Total Portfolio

55,704,200

Cashflow:

Call Accounts/MMF (as at 31/03/17)

Rate

Global Treasury Fund (Goldman Sachs Money Market Fund)	1,527,106	0.23%
Standard Life Investments (Money Market Fund)	8,000,000	0.29%
Natwest SIBA	966,452	0.01%
Natwest SIBA - SEEDA (DTIZ)	56,096	0.01%
Natwest SIBA - EP (HCA)	47,779	0.01%
Natwest SIBA - ASDA	0	0.01%
Santander	502	0.05%
Bank of Scotland (BOS)	37,333	0.15%
HSBC Business Acc	0	0.00%
Barclays	16,054	0.00%

Total Cash flow

10,651,322

Total Portfolio and Cashflow

66,355,522

On 10/3/17 we arranged a temporary loan of £4,000,000 from 22/3 to 21/4 as it looked like there would be a short fall of cash flow funds at year end.
 On 22/3/17 the Planning Delivery Manager advised that we would shortly be receiving a capital receipt for Aylesham circa £6 million, but actually received £7.6 million on 29/3/17.
 On 31/3/17 we made a fixed term deposit with Birmingham City Council £7,500,000 from 28/4/2017 - 27/4/2018 @0.70% - see also Appendix 4.

Dover District Council Borrowing - 2016/17

APPENDIX 3

Interest Type	Date Loan Taken Out	Date Loan Matures	Repayment Dates	Loan Number	Principal Balance 01-Apr-16	Interest Rate %	Principal To Be Repaid 2016/17	Annual Interest 2016/17	Lender	Type of loan
Fixed	02/10/1997	02/10/2057	APR-OCT	479961	1,000,000	6.75		67,500	PWLB	Principal due on Maturity
Fixed	28/05/1997	28/05/2057	MAY-NOV	479542	2,000,000	7.38		147,500	PWLB	Principal due on Maturity
Fixed	23/08/1946	23/06/2026	JUNE-DEC	131582	468	2.50	44.64	13	PWLB	Equal Instalment of Principal (EIP)
Fixed	27/09/1946	27/06/2026	JUNE-DEC	131583	87	2.50	8.40	2	PWLB	Equal Instalment of Principal (EIP)
Fixed	16/11/2001	30/09/2026	SEPT-MAR	486237	1,000,000	4.75		47,500	PWLB	Principal due on Maturity
Variable	16/12/2002	16/12/2042	JUNE-DEC	N/A	3,000,000	4.75		142,500	KA Finanz AG Bank	Repayable if called by Bank
Fixed	26/03/2012	26/03/2042	SEPT-MAR	499853	82,754,565	3.18	2,086,670.69	2,615,137	PWLB	Annuity - HRA Financing
Fixed	01/05/2012	01/11/2027	MAY-NOV		95,806	0.00	8,709.60	0	Lawn Tennis Association	Interest free
					89,850,927		2,095,433	3,020,152		

In-house Investments as at 31/05/17

Organisation	Type of investment	Current rating	Issue Date	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating	Options available
Held in Custody at Kings and Shaxon								
United Kingdom	Gilt		24/05/2013	22/07/2018	1.250	950,000		
United Kingdom	Gilt		11/06/2013	22/07/2018	1.250	960,000		
						<u>1,910,000</u>		

In-house Investments - Portfolio:

								<i>Duration</i>
Lloyds	Fixed term deposit	A+/F1/5	19/12/2016	20/06/2017	0.600	3,000,000	UK - Gov 'AA'	183 days
Bank of Scotland	Fixed term deposit	A+/F1/5	28/12/2016	28/06/2017	0.600	7,400,000	UK - Gov 'AA'	182 days
Lloyds	Fixed term deposit	A+/F1/5	28/12/2016	28/06/2017	0.600	2,000,000	UK - Gov 'AA'	182 days
Nationwide	Fixed term deposit	A/F1/5	04/01/2017	04/07/2017	0.420	1,000,000	UK - Gov 'AA'	184 days
Suffolk County Council	Fixed term deposit		10/04/2017	10/07/2017	0.300	5,000,000	UK - Gov 'AA'	91 days
Blackpool Borough Council	Fixed term deposit		10/04/2017	10/07/2017	0.300	3,000,000	UK - Gov 'AA'	91 days
Lloyds	Fixed term deposit	A+/F1/5	30/01/2017	31/07/2017	0.600	2,000,000	UK - Gov 'AA'	185 days
Nationwide	Fixed term deposit	A/F1/5	01/02/2017	01/08/2017	0.370	3,000,000	UK - Gov 'AA'	184 days
Nationwide	Fixed term deposit	A/F1/5	24/02/2017	24/08/2017	0.370	3,000,000	UK - Gov 'AA'	184 days
Eastleigh Borough Council	Fixed term deposit	A+/F1/5	24/02/2017	24/08/2017	0.430	3,000,000	UK - Gov 'AA'	182 days
Birmingham City Council	Fixed term deposit		28/04/2017	27/04/2018	0.700	7,500,000	UK - Gov 'AA'	364 days
HSBC (Evergreen)	Notice Savings Account	AA-/F1+/1	26/02/2016		0.357	7,532,714	UK - Gov 'AA'	90 days notice required to withdraw funds
Santander	Notice Savings Account	A/F1/2	02/04/2016		0.650	7,868,176	UK - Gov 'AA'	95 days notice required to withdraw funds

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55,300,889

Total Portfolio

57,210,889

Cashflow:

Call Accounts/MMF (as at 31/05/17)

Rate

Global Treasury Fund (Goldman Sachs Money Market Fund)	106	0.18%
Standard Life Investments (Money Market Fund)	4,379,000	0.25%
Natwest SIBA	715,014	0.01%
Natwest SIBA - SEEDA (DTIZ)	56,097	0.01%
Natwest SIBA - EP (HCA)	47,780	0.01%
Natwest SIBA - ASDA	0	0.01%
Santander	502	0.05%
Bank of Scotland (BOS)	1,040,297	0.15%
HSBC Business Acc	0	0.00%
Barclays	34,136	0.00%

Total Cash flow

6,272,933

Total Portfolio and Cashflow

63,483,822

Lloyds Fixed term deposit A+/F1/5 11/11/2016 11/05/2017 0.600 1,000,000 UK - Gov 'AA' 182 days
 Lloyds investment matured on 11/05 and was paid into Bank of Scotland account. Currently reviewing TMS and so not reinvesting maturing fixed deposits as looking at other options with new treasury advisers.