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21 September 2022

Dear Councillor

NOTICE IS HEREBY GIVEN THAT a meeting of the **GOVERNANCE COMMITTEE** will be held in the Council Chamber at these Offices on Thursday 29 September 2022 at 5.30 pm when the following business will be transacted.

Members of the public who require further information are asked to contact Jemma Duffield, Democratic Services Officer on (01304) 872305 or by e-mail at democraticservices@dover.gov.uk.

Yours sincerely

Chief Executive

Governance Committee Membership:

D Hannent (Chairman)
S S Chandler (Vice-Chairman)
S H Beer
D A Hawkes
S J Jones
P D Jull
P Walker

AGENDA

1 **APOLOGIES**

To receive any apologies for absence.

2 **APPOINTMENT OF SUBSTITUTE MEMBERS**

To note appointments of Substitute Members.

3 **DECLARATIONS OF INTEREST** (Page 4)

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

4 **MINUTES** (Pages 5 - 7)

To confirm the attached Minutes of the meeting of the Committee held on 7 July 2022.

5 **QUARTERLY INTERNAL AUDIT UPDATE REPORT** (Pages 8 - 23)

To consider the attached report of the Head of Audit Partnership (East Kent Audit Partnership).

6 **TREASURY MANAGEMENT YEAR END REPORT 2021/22**

To consider the report of the Head of Finance and Investment (to follow).

7 **TREASURY MANAGEMENT QUARTER ONE REPORT 2022/23** (Pages 24 - 39)

To consider the attached report of the Head of Finance and Investment.

8 **2021/22 ANNUAL GOVERNANCE ASSURANCE STATEMENT** (Pages 40 - 56)

To consider the attached report of the Head of Governance and HR.

9 **REVIEW OF DELEGATED POWERS GIVEN TO THE HEAD OF PLANNING AND DEVELOPMENT FOR DETERMINING PLANNING APPLICATIONS**

To consider the report of the Solicitor to the Council (to follow).

10 **CHANGES TO THE CHIEF OFFICER STRUCTURE**

To consider the report of the Head of Paid Service (to follow).

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 step free access via the Council Chamber entrance and an accessible toilet is available in the foyer. In addition, there is a PA system and hearing loop within the Council Chamber.
- In order to facilitate the broadcast of meetings there have been cameras set up in the Council Chamber that communicate with Microsoft Teams Live. This enables meetings held in the Council Chamber to be broadcast for public viewing through the Council's website. These meetings are only available for viewing live and the Council does not retain copies of the broadcast.

The meetings in which these cameras will be used include meetings of: (a) Council;

(b) Cabinet; (c) General Purposes Committee; (d) Governance Committee; (e) Planning Committee; and (f) Overview and Scrutiny Committee.

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

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.

Minutes of the meeting of the **GOVERNANCE COMMITTEE** held at the Council Offices, Whitfield on Thursday, 7 July 2022 at 6.00 pm.

Present:

Chairman: Councillor D Hannent

Councillors: S H Beer
S J Jones
P D Jull
P Walker

Also Present: Key Audit Partner (Grant Thornton – External Auditors)

Officers: Solicitor to the Council
Head of Finance and Investment
Head of Audit Partnership (East Kent Audit Partnership)
Deputy Head of Audit Partnership (East Kent Audit Partnership)
Democratic and Corporate Services Manager
Democratic Services Officer

1 APOLOGIES

Apologies for absence were received from Councillors S S Chandler and D A Hawkes.

2 APPOINTMENT OF SUBSTITUTE MEMBERS

The Democratic Services Officer advised that no notice had been received for the appointment of substitute members.

3 DECLARATIONS OF INTEREST

There were no declarations of interest made by Members.

4 MINUTES

The Minutes of the meeting held on 17 March 2022 were approved as a correct record for signing by the Chairman.

5 VARIATION TO ORDER OF BUSINESS

The Chairman announced that the order of business would be varied from that set out in the agenda. The Members of the Committee agreed with the new order of business.

6 EXTERNAL AUDIT PLAN 2020/21

The Key Audit Partner for Grant Thornton (External Auditors) presented the Audit Plan for the year ending 31 March 2021 to the Committee.

With regard to the outstanding management responses to general audit and IT questions, the Head of Finance and Investment advised these responses were due to be provided to Grant Thornton imminently.

In addition, Members were advised that the 2019/20 Financial Statements had not yet been signed as there was a technical issue that prevented all audits being signed.

RESOLVED: That the External Audit Plan 202/21 be noted.

7 ARRANGEMENTS FOR THE BROADCASTING AND RECORDING OF MEETINGS

The Monitoring Officer presented the report on the Arrangements for the Broadcasting and Recording of Meetings to the Committee which sought amendments to the Council's Constitution to enable the continued broadcasting of meetings and the use of the electronic voting system. In addition, the Governance Committee was required to consider the recording of meetings and to make recommendations to the Council for its consideration.

Considering the recording of meetings, Councillor S H Beer proposed that that the trial period for the broadcasting and electronic voting during meetings be extended for a further three months to allow the processes to embed and for members and officers using the new systems to gain confidence before the recordings be available to the public.

This motion was seconded by Councillor S J Jones who in addition expressed concern that the recording of meetings being available to the public to view following the end of the live broadcast may also stifle the debate in a meeting with some people being conscious they were being broadcast and recorded.

Councillor P D Jull recommended the retention period of the recordings be a week following the next scheduled meeting of the committee. The Monitoring Officer advised that the Minutes of the meeting were the official record of a meeting and that having the recording available beyond the approval of the Minutes would not be advisable.

On being put to the vote, the motion proposed by Councillor Beer and duly seconded by Councillor Jones was LOST.

The Chairman, Councillor D H Hannent moved to accept the voting system and remote broadcasting be incorporated into the constitution and for the recording of meetings be trialled for a period of three months and for this to be reviewed again at the end of the trial period. Councillor Beer expressed concern that if the public were to have access for three months it would be difficult to then potentially remove this.

On being put to the vote, it was

RESOLVED: (a) That it be recommended to the Council that the Constitutional amendments to enable the continued broadcasting of meetings and the use of the electronic voting system set out in Appendix 1 of the Arrangements for the Broadcasting and Recording of Meetings report be approved and incorporated into the Council's Constitution (Issue 24).

- (b) That it be recommended that the broadcast of meetings and the electronic voting system on the grounds as set out in the report be approved.
- (c) That the recording and retention of broadcasts for a period of 30 days be trialled for a 3-month period and reviewed at the end of this trial.

8 COMPLAINTS SELF-ASSESSMENT

The Democratic and Corporate Services Manager introduced the Complaints Self-Assessment report to the Committee. The self-assessment had been undertaken in respect of the Council's complaints process specifically in relation to housing complaints using the Housing Ombudsmen toolkit. The self-assessment would be published on the Council's website.

RESOLVED: That the Complaints Self-Assessment report be noted and the self-assessment be published on the Council's website.

9 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The Deputy Head of Audit Partnership introduced the Quarterly Internal Audit Update report to the Committee. There were no further updates to the report and no significant areas to draw Members' attention to.

RESOLVED: That the Quarterly Internal Audit Update report be noted.

10 ANNUAL INTERNAL AUDIT REPORT

The Head of Audit Partnership introduced the Annual Internal Audit report to the Committee which provided a summary of the work undertaken by East Kent Audit Partnership during 2020/21 and supported the audit opinion. Members' attention was drawn to the Overall Opinion within the Annual Internal Audit report and specifically 5.3 - Risk Management.

RESOLVED: (a) That Members noted the Opinion of the Head of Audit Partnership.

- (b) That Members noted the Annual Report detailing the work of the EKAP and its performance to underpin the 2021-22 opinion.

The meeting ended at 6.36 pm.

Subject:	QUARTERLY INTERNAL AUDIT UPDATE REPORT
Meeting and Date:	Governance Committee – 29 September 2022
Report of:	Christine Parker – Head of Audit Partnership
Decision Type:	Non-key
Classification:	Unrestricted
Purpose of the report:	This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30 th June 2022.
Recommendation:	That Members note the update report.

1. Summary

This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting.

2. Introduction and Background

- 2.1 For each Audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to each member of Corporate Management Team, as well as an appropriate manager for the service reviewed.
- 2.2 Follow-up reviews are performed at an appropriate time, according to the status of the recommendation, timescales for implementation of any agreed actions and the risk to the Council.
- 2.3 An Assurance Statement is given to each area reviewed. The assurance statements are linked to the potential level of risk, as currently portrayed in the Council's risk assessment process. The assurance rating given may be Substantial, Reasonable, Limited or No assurance.
- 2.4 Those services with either Limited or No Assurance are monitored and brought back to Committee until a subsequent review shows sufficient improvement has been made to raise the level of Assurance to either Reasonable or Substantial. A list of those services currently with such levels of assurance is attached as Annex 2 to the EKAP report.
- 2.5 The purpose of the Council's Governance Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review 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, and to oversee the financial reporting process.
- 2.6 To assist the Committee meet its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal audit. The purpose of this report is to detail the summary findings of completed audit reports and follow-up reviews since the report submitted to the last meeting of this Committee.

SUMMARY OF WORK

- 2.7 There have been five internal audit assignments completed during the period, which are summarised in the table in section 2 of the report.
- 2.8 No follow-up reviews have been completed during the period.
- 2.9 For the three month period to 30th June 2022, 76.28 chargeable days were delivered against the target for the year of 300, which equates to 25.43% plan completion.

3 Resource Implications

- 3.1 There are no additional financial implications arising directly from this report. The costs of the audit work will be met from the Financial Services 2022-23 revenue budgets.
- 3.2 The financial performance of the EKAP is currently on target at the present time.

Appendices

Appendix 1 – Internal Audit update report from the Head of the East Kent Audit Partnership.

Background Papers

- Internal Audit Annual Plan 2022-23 - Previously presented to and approved at the 17th March 2022 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.

Contact Officer: Christine Parker, Head of Audit Partnership



INTERNAL AUDIT UPDATE REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP.

1. INTRODUCTION AND BACKGROUND

- 1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30th June 2022.

2. SUMMARY OF REPORTS:

Service / Topic		Assurance level	No. of Recs.	
2.1	Sheltered Housing	Substantial	C H M L	0 0 2 1
2.2	Complaints Monitoring	Substantial	C H M L	0 0 0 0
2.3	EKS – Performance Indicators	Substantial	C H M L	0 1 0 0
2.4	Budgetary Control	Reasonable	C H M L	0 0 1 0
2.5	EKS - Housing Benefit Quarterly Testing 2021/22 Quarters 3 & 4	Not Applicable		

2.1 Sheltered Housing - Substantial Assurance

2.1.1 Audit Scope

The audit will review the Council's Sheltered Housing arrangements, controls and documentation surrounding the Scheme Managers' responsibilities to assist residents living in Sheltered Schemes promoting independence rather than creating dependency.

2.1.2 Summary of findings

The Council currently has six sheltered schemes across the district which are managed on a day-to-day basis by five Independent Living Managers (ILMs).

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- Checklists are in place and completed each week by ILM's detailing the outcome of checks completed at each sheltered scheme.
- All ILM's are competent at completing the checks at sheltered schemes and provided with the equipment necessary to complete those checks.
- Suitable records are in place to detail which services residents have opted into or out of.
- Tenants are provided with suitably detailed and appropriately worded information on their responsibilities on safety checks inside of their own flats and what services the ILM can and cannot provide.
- All chargeable facilities provided to residents are charged in line with approved fees and charges.
- Wherever practical, suitable checks are undertaken on potential residents to confirm that independent living in a sheltered scheme meets their current needs.
- Where possible, suitable facilities are provided to enable mobility scooters to be stored safely.
- Work to make sheltered schemes ready for the digital phone switchover has commenced and is expected to be complete in advance of the digital switchover.

2.2 Complaints Monitoring – Substantial Assurance

2.2.1 Audit Scope

Ensure that the Council has effective arrangements in place (which are consistently adhered to across all organisational divisions) for the recording, monitoring, response to, escalation of, and learning from any complaints, comments or compliments received from stakeholders.

2.2.2 Summary of Findings

The Council aims to continually improve customer services and the effectiveness of the way they interact. Staff are empowered to deliver services to the public without constant reference to a line management structure.

The Council has a complaint procedure, which is set out in its Complaints Policy, and staff are encouraged to take ownership of complaints and be equipped to resolve them at the earliest possible opportunity.

Complaints and compliments are viewed as valuable feedback and, as a 'learning organisation' the Council endeavours to use the lessons learnt from feedback to improve the services it provides.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- The arrangements in place for monitoring informal and formal complaints, comments and compliments are sufficient.
- All complaints, comments and compliments are promptly and accurately recorded.
- The recording of compliments adequately assists the Council to build upon its strengths.

- Staff dealing with complaints are appropriately trained; the return of the Council's housing service and the general churn of staff turnover has identified a potential training need for the wider organisation and this will be addressed as part of the new Complaints Policy implementation.
- The Council's complaints process is authorised, regularly reviewed and appropriately publicised.
- There is an adequate feedback loop in place ensuring management receive and monitor all complaints and compliments which then drives service improvements in the future.
- There are clear escalation stages and protocols in place for formal and informal complaints handling.
- There are clearly documented timescales for dealing with complaints at each stage.

2.3 EKS Key Performance Indicators – Substantial Assurance

2.3.1 Audit Scope

To ensure that the controls over the production of the key performance indicators in respect of CIVICA are robust and sufficient to enable EK Services and the partner councils to have confidence in the data produced

2.3.2 Summary of Findings

There is a contract in place which sets out both the Service Standards and Key Performance Indicators (KPI's) within schedule 2. For the purposes of this audit only the KPI's have been reviewed which are detailed and set out within table 2H of this schedule. This details 6 Key Performance Indicators which are being reported on via Monthly Performance Monitoring Reports.

If a KPI fails to meet the set target there could be financial penalties to be applied, such penalties are highlighted within the Monthly Report but a decision on any exclusions are made by the Contract Strategic Board. Reasons and actions taken to remedy any unsatisfactory performance are also being reported on.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- Any changes to the Contract are being agreed and documented via the Contract Change Notification scheme as per the process detailed within Schedule 6: Change Control Procedure of the contract.
- The methodology and descriptors for each KPI can be found within Schedule 2 of the contract documentation; these are also being detailed within each monthly performance pack for managers to reference as necessary. Furthermore, there are detailed procedural notes for each KPI being held on file.
- Sufficient reporting of the key performance indicators to management is in place via Monthly Reports which were found to be clear, concise and easy to follow.

Scope for improvement was however identified in the following area.

- Testing identified some minor errors in the calculation process of two KPI's (KPI 02 and KPI 05) these did not affect the overall KPI results which were still found to be within the targets set. Management has been alerted to these minor

errors and the methodology/data input will be double checked moving forward to ensure correct values are reported for 2022/23.

2.4 Budgetary Control – Reasonable Assurance

2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that budgetary control is exercised across the Council on a corporate wide basis.

2.4.2 Summary of Findings

A sound budget is essential to ensure effective financial control in any organisation and the preparation of the annual budget is a key activity at every council. Every council must have a balanced and robust budget for the forthcoming financial year and also a 'medium term financial strategy (MTFS)' which is also known as a Medium Term Financial Plan (MTFP).

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- Budgets are controlled in accordance with SeRCOP (Service Reporting Code of Practice) and in accordance with CIPFA guidelines.
- The Budget and Policy Framework are sufficiently documented and applied.
- The financial governance arrangements in place, in terms of approval of the budget, are sufficiently applied.
- The budget is compiled directly within Tech 1 and so provides financial integrity of the figures
- The process and opportunity for identifying budget reductions and savings is managed effectively.
- The financial systems in place provide an effective management tool, to enable senior management to be kept fully informed of whether the Council will meet its required spending levels.
- The budget preparation process is well established and well documented with clear roles and responsibilities identified throughout.
- The budget monitoring systems in place provide reasonably reliable, accurate, timely and relevant information to management and are they in a format which can be easily understood but improvement is required in this area – see below.

Scope for improvement was however identified in the following areas:

- The Council is currently not using its main financial system (Tech 1) to its full extent as the budget monitoring reporting mechanism.
- The level of budget monitoring information reported is also very limited with few virements also being undertaken.

2.5 EKS Housing Benefits Quarterly Testing 2021/22 Quarters 3 & 4 – Not Applicable

2.7.1 Audit Scope

Over the course of 2021/22 financial year the East Kent Audit Partnership completed a sample check of Council Tax, Rent Allowance and Rent Rebate and Local Housing Allowance benefit claims.

2.7.2 Summary of findings

For the third and fourth quarters of 2021/22 financial year (October 2021 to March 2022) forty-five claims including new and change of circumstances of each benefit type were selected by randomly selecting the various claims for verification.

A fail is now categorised as an error that impacts on the benefit calculation. However data quality errors are still to be shown but if they do not impact on the benefit calculation then for reporting purposes the claim will be recorded as a pass.

For this period forty-five benefit claims were checked none of the claims had a financial error or data quality error. For 2021/22 a total of seventy-five claims have been checked of which none had a financial error that impacted on the benefit calculation and none had a data quality error.

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

- 3.1 No follow up reviews have been completed in the period. Consequently, there are no individual high priority recommendations outstanding after follow-up to be included at Annex 1 for this quarter.

4.0 WORK-IN-PROGRESS:

- 4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings Food Safety, Absence Management, Tech 1 Post Implementation Review, Grounds Maintenance, Digital/Cloud Computing, Garden Waste, and HMO Licensing.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2022-23 Audit plan was agreed by Members at the meeting of this Committee on 17th March 2022.
- 5.2 The Head of the Audit Partnership meets on a quarterly basis with the Strategic Director (Corporate Resources) - Section 151 Officer to discuss any amendments to the plan. Members of the Committee will be advised of any significant changes through these regular update reports. Minor amendments are made to the plan during the course of the year as some high-profile projects or high-risk areas may be requested to be prioritised at the expense of putting back or deferring to a future year some lower risk planned reviews. The detailed position regarding when resources have been applied and or changed are shown as Annex 3.

6.0 FRAUD AND CORRUPTION:

- 6.1 There were no other new or recently reported instances of suspected fraud or irregularity that required either additional audit resources or which warranted a revision of the audit plan at this point in time.

7.0 INTERNAL AUDIT PERFORMANCE

- 7.1 For the three month period to 30th June 2022, 76.28 chargeable days were delivered against the target for the year of 300, which equates to 25.43% plan completion.
- 7.2 The financial performance of the EKAP is currently on target at the present time.
- 7.3 Thee EKAP introduced an electronic client satisfaction questionnaire, which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service.

Attachments

- | | |
|---------|---|
| Annex 1 | Summary of High priority recommendations outstanding after follow-up. |
| Annex 2 | Summary of services with Limited / No Assurances yet to be followed up. |
| Annex 3 | Progress to 30 th June 2022 against the agreed 2022/23 Audit Plan. |
| Annex 4 | Balance Scorecard to 30 th June 2022 |
| Annex 5 | Assurance Statements |

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1		
Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
None this Quarter		

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED			
Service	Reported to Committee	Level of Assurance	Follow-up Action Due
None			

**PROGRESS AGAINST THE AGREED 2022-23 AUDIT PLAN
DOVER DISTRICT COUNCIL**

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06- 2022	Status and Assurance Level
FINANCIAL SYSTEMS:				
Income, Cash Collection & Bank Rec.	10	10	0	Quarter 3
VAT	10	10	0	Quarter 3
Insurance & Inventories of Portable Assets	10	10	0	Quarter 3
HOUSING SYSTEMS:				
Housing Allocations	10	10	0	Quarter 2
Private Sector Housing	10	10	0.36	Work-in-Progress
Right to Buy	10	10	0.58	Work-in-Progress
Repairs & Maintenance	10	10	0	Work-in-Progress
Leasehold Services	12	12	0	Quarter 4
Sheltered Housing	10	10	9.59	Work-in-Progress
HR RELATED:				
Absence Management	10	10	0.18	Work-in-Progress
GOVERNANCE RELATED:				
GDPR, FOI & Information Mngmt.	12	12	0	Quarter 2
Complaints Monitoring	10	10	8.17	Finalised – Substantial
Scheme of Officer Delegations	10	10	0	Quarter 4
Corporate Advice/CMT	2	2	1.49	Ongoing
s.151 Meetings and Support	9	9	4.25	Ongoing
Governance Committee Meetings and Reports	12	12	3.66	Ongoing
2023-24 Audit Plan Preparation and Meetings	9	9	0	Quarter 4
COUNTER FRAUD & CORRUPTION:				
Counter Fraud and Corruption	10	10	0	Quarter 2
SERVICE LEVEL:				
Employee Health & Safety	10	10	0	Quarter 4
Safeguarding	10	10	0	Quarter 3
Port Health – Consultancy	10	10	5.40	Finalised – N/A
Port Health – Assurance	10	10	0	Quarter 4

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06- 2022	Status and Assurance Level
Climate Change	5	5	0	Quarter 3
Food Safety	10	10	0.18	Work-in-Progress
Planning Applications, Income & s106	12	12	0.23	Quarter 2
Corporate Plan, Local Plan & MTFP	10	0	0	Deferred
Building Control	10	10	0	Quarter 2
Waste Management	15	15	0	Quarter 2
OTHER:				
Liaison with External Auditors	1	1	0.25	Ongoing
Follow-up Work	15	15	2.21	Ongoing
FINALISATION OF 2021-22- AUDITS:				
Digital	5	15	9.91	Finalised – Reasonable
Environmental Protection			0.77	Finalised – Reasonable
CSO Compliance			0.14	Finalised – Reasonable
Grounds Maintenance			5.19	Finalised – Limited
Tenancy & Estate Management			0.45	Finalised – N/A
Budgetary Control			1.5	Finalised – Reasonable
Phones, Mobiles & Utilities			10.49	Finalised – Reasonable/Limited
Recruitment			4.73	Finalised – Reasonable
Main Accounting System – Post Implementation Review			0.38	Work-in-Progress
Garden Waste			6.36	Work-in-Progress
RESPONSIVE ASSURANCE:				
None this Quarter				
TOTAL	300	300	76.28	25.43%

**PROGRESS AGAINST THE 2022-23 AUDIT PLAN
EAST KENT SERVICES**

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06- 2022	Status and Assurance Level
EKS Re				
Business Rates	15	15	0.17	Quarter 2
Housing Benefit DHPs	15	15	0	Quarter 3
Housing Benefit Testing	15	15	16.44	Finalised - N/A
Debtors	15	15	0	Quarter 4
ICT – Data Management	15	15	0	Quarter 4
ICT – Network Security	15	15	0	Quarter 3
KPIs	5	5	7.04	Finalised - Substantial
Payroll	18	18	1.22	Work in progress
OTHER:				
Corporate/Committee	8	8	1.98	Ongoing
Follow Up	6	6	0.43	Ongoing
Finalisation of 2021/22 Audits:				
ICT Procurement & Disposal	1	1	1.22	Finalised - Substantial
Total	128	128	28.50	22.27%

Balanced Score Card 2022-23

Annex 4

<u>INTERNAL PROCESSES PERSPECTIVE :</u>	<u>2022-23 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2022-23 Actual</u>	<u>Original Budget</u>
	Quarter 1		Reported Annually		
Chargeable as % of available days	88%	90%	• Cost per Audit Day	£	£
Chargeable days as % of planned days			• Direct Costs	£	£
CCC	25.59%	25%	• + Indirect Costs (Recharges from Host)	£	£
DDC	25.43%	25%	• - 'Unplanned Income'	£	Zero
TDC	22.09%	25%			
FHDC	24.66%	25%			
EKS	22.26%	25%			
Overall	24.11%	25%	• = Net EKAP cost (all Partners)		£
Follow up/ Progress Reviews;					
• Issued	12	-			
• Not yet due	12	-			
• Now due for Follow Up	19	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Partial			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2022-23 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2022-23 Actual</u>	<u>Target</u>
	Quarter 1		Quarter 1		
Number of Satisfaction Questionnaires Issued;	11		Percentage of staff qualified to relevant technician level	61%	60%
Number of completed questionnaires received back;	11		Percentage of staff holding a relevant higher-level qualification	36%	36%
	= 100 %		Percentage of staff studying for a relevant professional qualification	14%	N/A
Percentage of Customers who felt that;			Number of days technical training per FTE	1.21	3.5
• Interviews were conducted in a professional manner	100%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	50%	50%
• The audit report was 'Good' or better	100%	90%			
• That the audit was worthwhile.	100%	100%			

Definition of Audit Assurance Statements & Recommendation Priorities

Cipfa Recommended Assurance Statement Definitions:

Substantial assurance - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Reasonable assurance - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited assurance - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No assurance - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

EKAP Priority of Recommendations Definitions:

Critical – A finding which significantly impacts upon a corporate risk or seriously impairs the organisation's ability to achieve a corporate priority. Critical recommendations also relate to non-compliance with significant pieces of legislation which the organisation is required to adhere to and which could result in a financial penalty or prosecution. Such recommendations are likely to require immediate remedial action and are actions the Council must take without delay.

High – A finding which significantly impacts upon the operational service objective of the area under review. This would also normally be the priority assigned to recommendations relating to the (actual or potential) breach of a less prominent legal responsibility or significant internal policies; unless the consequences of non-compliance are severe. High priority recommendations are likely to require remedial action at the next available opportunity or as soon as is practical and are recommendations that the Council must take.

Medium – A finding where the Council is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review. Medium priority recommendations are likely to require remedial action within three to six months and are actions which the Council should take.

Low – A finding where there is little if any risk to the Council or the recommendation is of a business efficiency nature and is therefore advisory in nature. Low priority recommendations are suggested for implementation within six to nine months and generally describe actions the Council could take.

Subject:	TREASURY MANAGEMENT QUARTER ONE REPORT 2022/23
Meeting and Date:	Governance Committee – 29 September 2022
Report of:	Helen Lamb – Head of Finance and Investment
Portfolio Holder:	Councillor Christopher Vinson – Portfolio Holder for Finance, Governance, Digital and Climate Change
Decision Type:	Non-Key Decision
Classification:	Unrestricted
Purpose of the report:	To provide details of the Council's treasury management for the quarter ended 30 June 2022.
Recommendation:	That the report is received.

1. Summary

- 1.1 The Council's investment return for the period to 30 June was £1,709k, which is £69k more than the original budget estimate of £1,640k, giving a forecast annualised return of 2.89%. The long-term investments have been focusing on generating income rather than capital growth. The increase in the Bank of England base rate has seen an improved return on cash flow funds held in the money market accounts.
- 1.2 The Council remained within its Treasury Management guidelines and complied with the Prudential Code guidelines during the period.

2. Introduction and Background

- 2.1 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.
- 2.2 Council adopted the 2022/23 Treasury Management Strategy (TMS) on 2nd March 2022 as part of the 2022/23 Budget and Medium-Term Financial Plan.
- 2.3 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 Advisors, Arlingclose.
- 2.4 Members are asked to note that in order to minimise the resource requirements in producing this report, Arlingclose's report has been taken verbatim. Treasury advisors generally use a more journalistic style than is used by our officers, but to avoid changing the meaning or sense of Arlingclose's work, this has not been edited out.

3. Economic Background

- 3.1 The report attached (Appendix 1) contains information up to the end of June 2022; since then, we have received the following update from Arlingclose (in italics). Please note that any of their references to quarters are based on *calendar* years:

“Main points since June:

- I. UK GDP grew at a lower than expected 0.2% month on month, lower than the 0.3% expected by most analysts. This pointed to a weaker than expected economy and was reflected by under performance in industrial performance which shrank in July, and Manufacturing production which saw only growth of 0.1%.*
- II. Although the headline unemployment rate remained strong, falling to 3.6% from 3.8%, the increase in those in employment grew by only 40,000 people, compared to an expected 128,000. This implies that the numbers of “economically inactive” people, those who are neither looking for a job or in employment continues to rise. The “Great Resignation” seemingly continuing to work its way through the economy.*
- III. The same data release showed average earnings were up 5.2% year on year for July, which may sound strong in the context of years of sluggish wage growth, but in the context of the eye-watering CPI figure of 9.9%, and RPI of 12.2% (both year on year), even with wage growth, in real terms workers continued to get poorer, whilst simultaneously keeping the spectre of wage – price inflation on the cards.*
- IV. There seems to be no end in sight for inflation, as PPI, or Producer Price Index which measures the cost of input prices for the producers of goods came in at 20.5%, a level that producers simply can’t fully absorb and will have to pass on to consumers. This impoverishing of households was reflected in Friday’s retail sales for August figures which printed declines across the board, the headline rate of sales declining by 5.4% year on year, and 1.6% month on month, fuelling the beliefs of some commentators that we are already in a recession.*
- V. There are two major events, the delayed MPC meeting and it’s interest rate decision and new Chancellor Kwasi Kwarteng’s “fiscal event” or mini-budget due mid-September.*
- VI. Both Sterling markets and Arlingclose are forecasting that we will see a 0.5% rise in Bank of England base rate as the MPC attempts to fight inflation, putting to one side its impact on the recovery. With this baked in, most BoE watchers will be heading straight to the minutes to understand the vote and*

see if more increases are likely in the short term, especially in the context of the fiscal approach that the new chancellor will take.

- VII. *The mini budget that follows the MPC will have its focus on supporting households by introducing a cap on energy costs, but this is likely to have a knock-on impact on both inflation and interest rates. By capping energy costs, consumer price inflation will be dramatically reduced compared to current expectations, however, it is likely to increase the duration of inflation, by supporting household spending. Equally, this reduction in the peak but lengthening of the wave, is likely to impact the response of the MPC. Furthermore, the cap will need to be paid for, likely adding something the region of £150 Billion to the country's debt, an increase in supply to that level is likely to feed through to gilt yields, one way or another.*
- VIII. *As well as an increase of 0.5% month on month, CPI increased by 9.9% over the course of the previous 12 months to August 2022, down from 10.1% in July. From April 2020, the beginning of the first COVID-19 lockdown, until March 2021, the annual rate was less than 1.2%. Then, it increased significantly until July 2022 before dipping somewhat in August 2022. The National Statistic series, which started in January 2006, had never seen an annual inflation rate higher than that of July 2022.*
- IX. *ONS stated that the main contributions to high monthly rates in August 2022 came from food and non-alcoholic beverages, while a significant amount of the downward adjustment came from motor fuel prices declining. The biggest factors driving up the monthly rates in August 2021 were transportation, leisure, and culture.*
- X. *The decrease in the price of motor fuels between July and August was the primary factor in the month-on-month inflation rate in August 2022 lowering.*

4. Annual Investment Strategy

- 4.1 The investment portfolio, as at the end of June 2022, is attached at Appendix 2. Total balances held for investment and cash-flow purposes were £53.5m, increasing to £56.1m at the end of August. The increase reflects normal cashflow fluctuations arising from the timing of major preceptor payments, which are made over twelve months, while the Council Tax receipts that fund them typically come in over the ten months to January and then decline.
- 4.2 As at 30 June 2022, the Council's investment portfolio totalled £50m (see Appendix 2). Cashflow funds were lower than anticipated (£3.5m at 30 June 2022), this was due to the Council repaying £7.9m of NNDR and Council tax rebates.
- 4.3 Cashflow funds have since decreased (to £6.1m at 31 August 2022) due to normal cashflow fluctuations. Short term borrowing will be used to cover fluctuations in the cash flow requirements as needed, instead of holding excess funds in call accounts.

5. **New Borrowing**

- 5.1 The Council's borrowing portfolio is attached at Appendix 3. At the end of June 2022, there was no short-term borrowing required.

6. **Debt Rescheduling**

- 6.1 At this time, it is not considered of benefit to the Council to undertake any further rescheduling of its long-term debt.

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

- 7.1 The Council has operated within the Prudential Indicators in compliance with the Council's Treasury Management Practices.

8. **Climate Change and Environmental Implications**

- 8.1 There are no climate change or environmental implications.

9. **Appendices**

Appendix 1 – Arlingclose Treasury Management Report for quarter one 22/23

Appendix 2 – Investment portfolio as at 30 June 2022

Appendix 3 – Borrowing portfolio as at 30 June 2022

Appendix 4 – Investment portfolio as at 31 August 2022

10. **Background Papers**

Medium Term Financial Plan 2022/23 – 2025/26

Contact Officer: Dani Loxton, extension 2285

Treasury Management Report Q1 2022/23

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* (the CIPFA Code) which requires the Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.

The Authority's treasury management strategy for 2022/23 was approved at a meeting on 2nd March 2022. 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 remains central to the Authority's treasury management strategy.

CIPFA published its revised Treasury Management Code of Practice [the TM Code] and Prudential Code for Capital Finance in December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments. The principles within the two Codes took immediate effect although local authorities could defer introducing the revised reporting requirements within the revised Codes until the 2023/24 financial year if they wish which the Authority has elected to do.

Treasury risk management at the Authority is conducted within the framework of the TM Code. This Code now also includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version.

External Context

Economic background: Following Russia's invasion of Ukraine in February, global inflationary pressures have intensified sharply, leading to a sizeable deterioration in the outlook for world and UK growth.

The economic backdrop in the April-June quarter was characterised by higher oil, gas and commodity prices, fears of rising and persistent inflation and its damaging impact on consumers' cost of living, little indication of an imminent end to Russia-Ukraine hostilities and supply chain bottlenecks exacerbated by war in Ukraine and lockdowns in China.

Added to this was tough rhetoric and action by central bankers globally on fighting inflation through higher interest rates and quantitative tightening even as financial conditions became increasingly difficult for consumers, more so for those whose wages have not kept pace with inflation.

In the UK inflation remained elevated. Ofgem, the energy regulator, increased the energy price cap by 54% in April, equivalent to around £700 for a household with average energy consumption (the cap had already increased 12% back in October 2021). May data showed CPI edging higher to 9.1% while the core CPI rate, which removes energy, fuel and food was 5.9%. RPI rose to 11.7%.

The labour market continued to show signs of tightness as employers struggled to fill vacancies with workers with skill sets matching their requirements. The unemployment rate 3m/year for April fell to 3.8% and is now below pre-pandemic levels. Pay growth was 6.8% for total pay (including bonuses) and 4.2% for regular pay; however, adjusted for inflation, growth in total pay was just 0.4%, whilst regular pay fell 2.2%.

Unsurprisingly, with disposable income squeezed and another energy cap increase due in October, consumer confidence plummeted to the level last seen during the 2008/09 financial crisis. Quarterly GDP growth was 0.8% in the January-March quarter and the Bank of England now expects a decline of 0.3% in Q2 2022.

Having increased interest rates by 0.25% in April, the Bank of England's Monetary Policy Committee on the 15th of June 2022 voted 6-3 to increase the official Bank Rate by 0.25% to 1.25%. Those members in the minority preferred to increase Bank Rate by 0.5%. Rises in the input and output producer price measures suggest further inflationary pressure is in the pipeline. The Bank of England is therefore unlikely to become complacent, so further rate rises look likely in the near term.

Annual inflation in the US rose to 8.6% in May, the highest in nearly 40 years. The Federal Reserve also stepped up its fight against inflation with a 0.5% hike in rates in May followed by a further increase of 0.75% in June, the latter its most aggressive hike since 1994 and higher than markets expected, taking policy rates to a range of 1.5% - 1.75%.

Inflation in the Eurozone also pushed higher to 8.1%, with energy price pressures a major contributor. Europe is heavily impacted by the energy crisis following the Russian invasion of Ukraine, but concerns about the Eurozone's peripheral members and highly indebted members states complicates the European Central Bank's response as it seeks to normalise monetary policy. The ECB stated it would end quantitative easing at the beginning of July and then increase interest rates by 0.25% later in the month, the first hike since 2011. The central bank's Governing Council also convened an emergency meeting in June to address 'fragmentation' risks.

Financial markets: Heightened uncertainty characterised financial market sentiment and bond yields were similarly volatile but with a general upward trend as concern over higher inflation and higher interest rates dominated.

Over the quarter the 5-year UK benchmark gilt yield rose from 1.41% to 1.89%, the 10-year gilt yield rose from 1.61% to 2.35% and the 20-year yield from 1.82% to 2.60%. The Sterling Overnight Rate (SONIA) averaged 0.89% over the period.

Credit review:

In May Moody's affirmed the long-term rating of Guildford Borough Council at Aa3, a reflection of the Council's solid track record of budgetary performance and high level of usable reserves but changed the 'outlook' (the longer-term direction of travel) to negative. The agency downgraded the long-term rating of Warrington Borough Council from A2 to A3 and that of Transport for London (TfL) from A3 to Baa1.

Having completed its full review of its credit advice on unsecured deposits at UK and non-UK banks, in May Arlingclose extended the maximum duration limit for five UK banks, four Canadian banks and four German banks to six months. The maximum duration for unsecured deposits with other UK and non-UK banks on Arlingclose's recommended list is 100 days.

Arlingclose continued to monitor and assess credit default swap levels for signs of credit stress but made no changes to the counterparty list or recommended durations. Nevertheless, increased market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

Local Context

On 31st March 2022, the Authority had net borrowing of £14.5m arising from its revenue and capital income and expenditure. 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 are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.22 Actual £000
General Fund CFR	57,189
HRA CFR	84,523
Total CFR	141,712
Less: Usable reserves	(105,845)
Less: Working capital	(21,345)
Net borrowing	14,522

The treasury management position at 30th June and the change over the quarter is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.22 Balance £000	Movement £000	30.6.22 Balance £000	30.6.22 Rate %
Long-term borrowing	70,666	0	70,666	
Short-term borrowing	2,521	0	2,521	
Total borrowing	73,187	0	73,187	3.38%
Long-term investments	49,959	41	50,000	
Short-term investments	4	0	4	
Cash and cash equivalents	8,702	(5,244)	3,458	
Total investments	58,665	(5,203)	53,462	2.94%
Net borrowing	14,522		19,725	

NNDR claw back invoice paid £7.3m and Council tax rebates issued.

Borrowing

PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

Borrowing strategy and activity

As outlined in the treasury strategy, 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's borrowing

strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

Over the April-June quarter, short-term rates rose between 0.5% and 0.9% and long-term rates rose between 0.6% and 0.8%.

In keeping with the Authority's objectives, no new long-term borrowing was undertaken in the quarter. This strategy enabled the Authority to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

Despite the increase in rates, during the quarter the Authority considered it to be more cost effective in the near term to either use internal resources or to borrow rolling temporary / short-term loans instead. The net movement in temporary / short-term loans is shown in table 3 below.

At 30th June the Authority held £73.2m of loans, a similar position to 31st March 2022, as part of its strategy for funding previous years' capital programmes. Outstanding loans on 30th June are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.22 Balance £000	Net Movement £000	30.6.22 Balance £000
Public Works Loan Board	73,187	0	73,187
Total borrowing	73,187	0	73,187

The Authority's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short- and long-term borrowing was maintained.

There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Authority will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.

Treasury Investment Activity

CIPFA revised TM Code defines treasury management investments as those which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £53.5m and £71.3m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.22 Balance £000	Net Movement £000	30.6.22 Balance £000	30.6.22 Income Return %
Banks & Building Societies (unsecured)	8,351	(4,899)	3,452	0.71%
Money Market Funds	355	(345)	10	1.04%
Other Pooled Funds				
- <i>Cash plus funds</i>	7,927	73	8,000	
- <i>Strategic bond funds</i>	8,002	(2)	8,000	
- <i>Property funds</i>	6,566	(566)	6,000	
- <i>Multi asset income funds</i>	27,464	536	28,000	
Other Pooled Funds Sub-total	49,959	41	50,000	3.88%
Total investments	58,655		53,462	

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 treasury investments before seeking the optimum 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.

The 0.25% increases in Bank Rate at the MPC's meetings in May and June and with the prospect of more increases to come, short-dated cash rates, which had ranged between 0.7% - 1.5% at the end of March, rose on average by 0.65% over the quarter.

At the end of June, the rates on DMADF deposits ranged between 1.05% and 1.78% and the return on sterling low volatility net asset value (LVNAV) Money Market Funds ranged between 0.9% - 1.1% p.a.

Given the risk of short-term unsecured bank investments, the Authority has invested in alternative and/or higher yielding asset classes as shown in table 4 above. £50m that is available for longer-term investment invested in pooled funds.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking - Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2022	5.34	A+	100%	1	3.07%
30.06.2022	5.33	A+	100%	1	(2.48%)
Similar LAs	4.24	AA-	64%	45	1.38%
All LAs	4.20	AA-	64%	16	1.76%

Externally Managed Pooled Funds: £50m of the Authority's investments is invested in externally managed strategic pooled bond, multi-asset and property funds where short-term security and

liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated an average total return of (3.56) %, comprising a 2.79% income return which is used to support services in year, and (6.35) % of unrealised capital loss.

The April-June quarter was a difficult environment for risk assets, in particular bonds and equities engendered by central banks' determination to bring high and persistent inflation under control through increases in policy rates and strong rhetoric. With the market expecting further increases in interest rates and government bond yields in the US, UK and Europe (this, despite a weakening consumer and the prospect of a recession), there was a sell-off in bonds and equities which was reflected in the Authority's bond, and multi-asset income funds. Significant financial market volatility and uncertainty remain as due to stagflation fears, little sight of the war in Ukraine ending soon and ongoing supply chain issues, a lingering problem over the past 24 months, yet to be fully resolved.

The change in the Authority's funds' capital values and income earned over the 3-month period is shown in Table 4.

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium- to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates.

The Authority had budgeted £1,640k income from these investments in 2022/23.

Non-Treasury Investments

The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.

Following the approval of the Property Investment Strategy in November 2016, work continues to identify and progress suitable investments to deliver economic regeneration and to generate additional income streams for the future.

The 2022/23 budget includes a forecast of total income (rent and service charges) of £1.94m. Costs including management costs, minimum revenue provision and long-term borrowing of £1.30m are forecast resulting in retained income for the General Fund of £640k.

Treasury Performance

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 %
Interest received	1,709	1,640	69	2.89%
Interest Payable	2,443	2,443	0	3.38%

Compliance

The Strategic Director of Corporate Resources reports that all treasury management activities undertaken during the quarter complied fully with the principles in the TM Code and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

Table 7: Debt Limits

	30.6.22 Actual	2022/23 Operational Boundary	2022/23 Authorised Limit	Complied?
Borrowing	£73.2m	£333m	£338.5m	✓

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.

Table 8: Investment Limits

	30.6.22 Actual	2022/23 Limit	Complied?
Local authorities & other government entities	0	unlimited	✓
Banks (unsecured)	<1m	£8m per bank	✓
Any group of pooled funds under the same management	0	£16m per group	✓
Negotiable instruments held in a broker's nominee account	0	£15m	✓
Unsecured investments with building societies	0	£8m	✓
Money Market Funds	<1m	£10m per fund	✓
Strategic pooled funds	£50m	£10m per fund	✓
Operational bank	£3.5m	£20m	✓

Treasury Management Indicators

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

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	30.6.22 Actual	2022/23 Target	Complied?
Portfolio average credit rating	5.33	6	✓

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing / it can borrow each period without giving prior notice.

	30.6.22 Actual	2022/23 Target	Complied?
Total cash available within 3 months	£3.5m	£8m	✓

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

Interest rate risk indicator	30.6.22 Actual	2022/23 Target	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	500	500	✓
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	500	500	✓

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current market rates.

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. [This indicator covers the risk of replacement loans being unavailable, not interest rate risk.] The upper and lower limits on the maturity structure of all borrowing were:

Refinancing rate risk indicator	30.6.22 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	2,521	25%	0%	✓
12 months and within 24 months	3,935	50%	0%	✓
24 months and within 5 years	8,451	50%	0%	✓
5 years and within 10 years	15,989	100%	0%	✓
10 years and above	38,291	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.

Principal Sums Invested for Periods Longer than a year: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its

investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2022/23	2023/24	2024/25
Actual principal invested beyond year end	0	0	0
Limit on principal invested beyond year end	£30m	£30m	£30m
Complied?	✓	✓	✓

In-house as at 30/06/22**APPENDIX 2**

Organisation	Issue Date	Book cost	Market value	Market yield %	Credit Rating	Options available
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In-house investments - Long Term

CCLA Property investment Fund	30/06/17	3,000,000	3,512,444	3.69% UK - Gov 'AA'		5 Years +
CCLA Property investment Fund	31/07/17	3,000,000	3,505,100	3.69% UK - Gov 'AA'		5 Years +
Investec Diversified Income Fund	15/12/17	6,000,000	5,263,287	4.50% UK - Gov 'AA'		5 Years +
Columbia Threadneedle Strategic Bond Fund	15/12/17	6,000,000	5,425,378	2.58% UK - Gov 'AA'		5 Years +
Payden and Rygel	28/02/18	8,000,000	7,862,580	0.75% UK - Gov 'AA'		2 Years +
Investec Diversified Income Fund	01/08/18	2,000,000	1,781,491	4.50% UK - Gov 'AA'		5 Years +
Investec Diversified Income Fund	03/09/18	2,000,000	1,782,178	4.50% UK - Gov 'AA'		5 Years +
CCLA Diversified Income Fund	20/09/18	8,000,000	8,428,566	2.87% UK - Gov 'AA'		5 Years +
Columbia Threadneedle Strategic Bond Fund	13/12/18	2,000,000	1,909,903	2.58% UK - Gov 'AA'		5 Years +
Kames Diversified Monthly Income Fund	28/02/19	8,000,000	7,154,904	6.53% UK - Gov 'AA'		5 Years +
Kames Diversified Monthly Income Fund	16/12/19	2,000,000	1,698,169	6.53% UK - Gov 'AA'		5 Years +

50,000,000	48,323,999
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50,000,000	48,323,999	Total Portfolio
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Cashflow:**Rate****Call Accounts/MMF (as at 30/06/22)**

Global Treasury Fund (Goldman Sachs Money Market Fund)	9,106	1.00%
Aberdeen (Money Market Fund)	1,000	1.08%
Natwest SIBA	3,445,148	0.10%
Santander	503	0.90%
Bank of Scotland	4,979	0.90%
Barclays	1,346	0.95%

Total Cash flow	3,462,082
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Total Portfolio and Cashflow	53,462,082
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Interest Type	Date Loan Taken Out	Date Loan Matures	Repayment Dates	Loan Number	Principal Balance 01-Apr-22	Interest Rate %	Principal To Be Repaid 2022/23	Principal Balance 31-Mar-23	Interest Payable 2022/23	Lender	Type of loan
Long Term Borrowing											
Fixed	02/10/97	02/10/57	APR-OCT	479961	1,000,000	6.75		1,000,000	67,500	PWLB	Principal due on Maturity
Fixed	28/05/97	28/05/57	MAY-NOV	479542	2,000,000	7.38		2,000,000	147,500	PWLB	Principal due on Maturity
Fixed	23/08/46	23/06/26	JUNE-DEC	131582	201	2.50	45	156	5	PWLB	Equal Instalment of Principal (EIP)
Fixed	27/09/46	27/06/26	JUNE-DEC	131583	37	2.50	8	29	1	PWLB	Equal Instalment of Principal (EIP)
Fixed	16/11/01	30/09/26	SEPT-MAR	486237	1,000,000	4.75		1,000,000	47,500	PWLB	Principal due on Maturity
Fixed	26/03/12	26/03/42	SEPT-MAR	499853	69,187,366	3.18	2,521,538	66,665,828	2,180,270	PWLB	Annuity (HRA Financing)
					73,187,604		2,521,591	70,666,013	2,442,776		
Short Term Borrowing											
					0		0	0	0		<i>Sub-total</i>
Fixed	01/05/12	01/11/27	MAY-NOV		47,903	0.00	8,710	39,193	0	Lawn Tennis Association	Interest free
Fixed	01/12/19	01/12/24	APR-OCT		401,014		77,736	323,278	0	Salix	Interest free
					73,235,506		2,530,300	70,705,206	2,442,776		

In-house as at 31/08/22**APPENDIX 4**

Organisation	Issue Date	Book cost	Market Value	Market yield	Credit rating	Options available
<u>In-house investments - Long Term</u>						
CCLA Property investment Fund	30/06/17	3,000,000	3,426,376	3.69%	UK - Gov 'AA'	5 Years +
CCLA Property investment Fund	31/07/17	3,000,000	3,419,212	3.69%	UK - Gov 'AA'	5 Years +
Investec Diversified Income Fund	15/12/17	6,000,000	5,256,925	3.76%	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund	15/12/17	6,000,000	5,482,718	2.24%	UK - Gov 'AA'	5 Years +
Payden and Rygel	28/02/18	8,000,000	7,829,786	0.46%	UK - Gov 'AA'	2 Years +
Investec Diversified Income Fund	01/08/18	2,000,000	1,779,337	3.76%	UK - Gov 'AA'	5 Years +
Investec Diversified Income Fund	03/09/18	2,000,000	1,780,024	3.76%	UK - Gov 'AA'	5 Years +
CCLA Diversified Income Fund	20/09/18	8,000,000	7,965,266	2.57%	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund	13/12/18	2,000,000	1,930,089	2.24%	UK - Gov 'AA'	5 Years +
Kames Diversified Monthly Income Fund	28/02/19	8,000,000	7,222,068	5.95%	UK - Gov 'AA'	5 Years +
Kames Diversified Monthly Income Fund	16/12/19	2,000,000	1,714,111	5.95%	UK - Gov 'AA'	5 Years +
		50,000,000	47,805,912			
		50,000,000	47,805,912	Total Portfolio		

Cashflow:**Call Accounts/MMF (as at 31/08/22)****Rate**

Global Treasury Fund (Goldman Sachs Money Market Fund)	5,567,106	1.63%
Aberdeen (Money Market Fund)	1,000	1.66%
Natwest SIBA	490,336	0.10%
Santander	503	0.40%
Bank of Scotland (BOS)	4,985	0.65%
Barclays	1,346	0.00%
Total Cash flow	6,065,275	

Subject:	2021/22 ANNUAL GOVERNANCE ASSURANCE STATEMENT	
Meeting and Date:	Cabinet – 5 September 2022 Governance Committee – 29 September 2022	
Report of:	Louise May, Head of Governance and HR	
Portfolio Holder:	Councillor Chris Vinson, Portfolio Holder for Finance, Governance, Digital and Climate Change	
Decision Type:	Non-Key	
Classification:	Unrestricted	
Purpose of the report:	To approve the Annual Governance Assurance Statement 2021/22	
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 2021/22 Statement of Accounts.

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 2021/22, 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 2021/22 Accounts.
- 1.3 The Accounts and Audit (Amendment) Regulations 2021 were introduced by the Government to support the timely completion of local government audits and the ongoing stability of the local audit market. The proposals include extending the published/audited deadline to 30 November 2022 for the 2021/22 statement of accounts, then reverting to 30 September for five years until 2027/28. The Annual Governance Assurance Statement 2021/22 has been produced to align with these revised timescales.

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 statement is to be signed by the Leader of the Council and the Chief Executive, having paid due regard to any matters raised by the Head of Governance and HR and the Monitoring Officer. In particular, they should have particular regard to the opinion of the Head of Governance and HR and the 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.

2.3 The Annual Governance Assurance Statement for 2021/22 is attached and has been agreed by the Corporate Management Team in August 2022. The statement has been prepared taking into account the following information:

- A detailed review of the Council's performance measured against the 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 Strategic Directors.
- The information gathered as a result of risk assessment and management.
- The annual reports of the Scrutiny and Governance Committees.

2.4 Members will note that there is no action plan provided this year. This has been removed as it is considered to be of limited value, given that other mechanisms of control are in place to ensure compliance with the Council's governance processes. Furthermore, the timing of the action plan no longer correlates with the revised deadlines for the production of the Statement.

3. **Identification of Options**

3.1 Option 1: Agree the Annual Governance Assurance Statement including the key actions identified, for signature by the Leader and the Head of Paid Service and then for inclusion in the 2021/22 Accounts

3.2 Option 2: Do not agree the Annual Governance Assurance Statement 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 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. Climate Change and Environmental Implications

There are no climate change or environmental implications arising from the Annual Governance Assurance Statement for 2021/22.

7. Corporate Implications

7.1 Comment from the Section 151 Officer: Accountancy has been consulted and has no further comment (AT).

7.2 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.

7.3 Comment from the Equalities Officer: This report does not specifically highlight any equality implications, however in discharging their duties 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/section/149>.

8. Appendices

Appendix – Annual Governance Assurance Statement

9. Background Papers

Accounts and Audit Regulations 2015

CIPFA Delivering Good Governance in Local Government Framework 2016 Edition

Contact Officer: Louise May, Head of Governance and HR

Dover District Council Annual Governance Assurance Statement

1 APRIL 2021 TO 31 MARCH 2022

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 2022 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 2020-2024 is published and is available on the Council's website. The Council approved a new Corporate Plan in February 2020 which continues with the overall direction of travel as the previous version.

The following strategic priorities have been identified in the 2020-2024 Corporate Plan:

- Regeneration - Tourism and Inward Investment
- Housing and Community
- Climate Change, Environment and Assets – a cleaner sustainable environment
- Working Smartly and Delivering Services

(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 is 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); Strategic Director (Corporate Resources) (and Section 151 Officer) and Strategic Director (Operations and Commercial).

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

(g) **Governance Committee**

The seven 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 oversees the financial reporting process by considering the final Statement of Accounts. The Committee promotes high standards of conduct amongst the 32 members of Dover District Council and (up to) 317 members of Town and Parish Councils in the District. Complaints of service maladministration are investigated and reported to the Committee. Lessons learned from these complaints are reviewed and acted on.

The Chairman provides an Annual Report of the Governance Committee to the Annual Council Meeting

(h) **Overview and Scrutiny**

In July 2019, and as a result of the reduction in elected members, the Council voted to reduce to one overview and scrutiny committee 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) **Monitoring Officer**

The Monitoring Officer is charged by law with the responsibility for identifying and reporting on any acts or omissions of the Council which he considers to be contrary to law. He is also responsible for considering allegations of Members breaches of the codes of conduct. In January 2021, the Council agreed that this role could be undertaken on a part time basis with effect from 1 April 2021. The Deputy Monitoring Officer continues to work full time.

(j) **Our Solicitor**

The Solicitor to the Council provides his opinion on our compliance with our legal obligations. As from 1 January 2019 the same officer fulfils the role of Monitoring officer and Solicitor to the Council.

(k) **Data Protection Officer**

We have appointed a Data Protection Officer in accordance with Article 37 of the General Data Protection Regulation 2016. We support the Data Protection Officer by providing resources to undertake tasks and access to personal data and process and operations and to maintain expert knowledge. The Data Protection Officer his duties in an independent manner and we may not give the Data Protection Officer instruction on exercising his role. The Data Protection Officer is currently the Solicitor to the Council.

(l) **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.

(m) **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.

(n) **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 internal communications. The corporate training needs are identified each year and appropriate training for all, or key members of staff is provided.

(o) **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.

(p) **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.

(q) **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 Overview and Scrutiny Committee.

(r) **Internal Audit**

The Internal Audit function for the Council is performed by the East Kent Audit Partnership (EKAP), which provides internal audit services to the councils of Canterbury, Dover, Folkestone and Thanet. As a result of this collaborative approach the partnership is able to provide a mechanism for promulgating best practice to the East Kent authorities that use its services. The East Kent Audit Partnership Internal Audit Team reports to the Section 151 Officer. They operate under a Charter, which defines their relationship with officers, and the Governance and Audit Committee. Through their audit assurance work, internal audit provides an opinion on the effectiveness of the systems of internal control. As part of the annual review of governance arrangements and in particular the system of internal control, the Council undertakes an annual review of the effectiveness of the system of internal audit.

Internal Audit has responsibility to:

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

(s) **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.

(t) **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 Land Allocations Local Plan, which was adopted in 2015, identifies and allocates specific sites that are suitable for development in order to meet the Core Strategy's requirements.

Work is well underway in the development of a new District Local Plan which will replace the policies and proposals in the Council's Adopted Core Strategy, Land Allocations Local Plan and 'saved' policies from the 2002 Local Plan. Statutory consultation under Regulation 18 of The Town and Country Planning (Local Planning) (England) Regulations 2012 in respect of revised Local Plan took place between 20 January and 17 March 2021. The next formal stage of the process, which is the publication (consultation) of the Submission version of the Plan is expected to take place between October and December 2022. Further details of the progress to adopt the new Local Plan can be found at the dedicated website [here](#).

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

This report is a backward look at the state of the district, highlighting key information under the headings of: District Overview, Population Profile; Housing; Economy, Business and Employment; Finance; Education and Skills; Regeneration Delivery; Health and Wellbeing; Deprivation and Poverty; Community Safety and Quality of Life.

Not all information is collected and reported annually, as it is collated from a wide range of sources that is sporadically updated. 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 there will be regular updates as new data is published, with members informed in a timely manner of any significant changes.

(v) **Communication and Consultation**

Strategies are in place. We have active Twitter, Facebook and Instagram 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.

(w) **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.

(x) **Whistleblowing**

A confidential reporting hotline is in place to enable internal and external whistleblowing. 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, Corporate Management Team or East Kent Audit Partnership.

(y) **Employment Management**

The Council's Human Resources service came back in-house during 2021/22 and the Head of Paid Service decided that the Employment Management Group be dissolved and replaced by a more streamlined Authority to Recruit process which is managed by the Human Resources Team, in consultation with Accountancy. Any requests that are not within agreed budgets are considered by the Authority to Recruit group before being referred to the Head of Paid Service who provides the final decision as to which posts can be filled.

(z) **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 Strategic Director (Corporate Resources), East Kent Internal Audit Partnership and the Head of the Audit Partnership's Annual Report, the work of our Strategic 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 Monitoring Officer has responsibility for:

- Monitoring the Constitution and keeping it up to date
- Identifying and reporting on any acts or omissions of the Council which he considers to be contrary to law
- Ensuring ethical standards and conduct are met

(b) The Strategic Director (Corporate Resources) has responsibility for:

- Publishing financial information and statements accurately and reliably.
- Confirmation that resources are managed efficiently and effectively.
- 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
- The overall review of the internal control opinion and framework evidence, including service assurance statements, the audit review of Corporate Governance, 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.

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

- Risks have been identified. They are recorded and monitored in accordance with the Council's 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.

(d) 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
- (e) **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
- (f) **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
- (g) **Overview and Scrutiny Committee has responsibility for:**
- Scrutiny of budgets and major policies
 - Monitoring the achievement of key priorities
 - Scrutiny co-ordination
- (h) **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
 - Ethical standards of members and complaints against members
- (i) **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. The key focus of the review in 2021/22 was reviewing the incorporation of changes previously agreed by the full Council (such as amendments to the Members' Allowances Scheme); reflecting structural changes to the Council's organisational structure; reflecting legislative changes in the Scheme of Officer Delegations (particularly around the Port Health function); the collation of changes made by decision-making bodies such as the Cabinet or Council during the course of the previous year; and general administrative amendments.

(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 2021/22 was presented to the Annual Council Meeting on 18 May 2022. This identified sound governance arrangements, including an effective scrutiny process, which underpins the achievement of 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 Monitoring Officer is responsible for ensuring that the Constitution is reviewed regularly. It is not practical to undertake a review of the whole Constitution each year, so specific areas are selected each year. During 2021/22, the key focus of the review was on the incorporation of changes previously agreed by the full Council (such as the single scrutiny committee and amendments to the Members' Allowances Scheme); reflecting structural changes to the Council's organisational structure; reflecting legislative changes in the Scheme of Officer Delegations (particularly around the Port Health function); the collation of changes made by decision-making bodies such as the Cabinet or Council during the course of the previous year; and general administrative amendments. 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 2021/22 was presented to the Annual Council Meeting on 18 May 2022. 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 Strategic Director (Corporate Resources) and the Strategic Director (Operations and Commercial) 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 2019/20 accounts. At present the 2019/20 accounts are awaiting final sign off by External Audit, who are waiting the outcomes of the CIPFA consultation on treatment of Infrastructure Assets. The 2020/21 audit process is due to commence in Summer 2022. For this year, the process will be delayed again but the Committee will be provided with the necessary assurances to approve the 2021/22 accounts once the 2021/22 audit process has been completed. The deadline for the final accounts to be approved has been changed by legislation owing to the Covid-19 pandemic.

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

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

The Local Government and Social Care Ombudsman received 15 complaints and enquiries against the Council during the 2020/21 municipal year. Four were 'upheld', one was 'not upheld', six were closed after initial enquiries and four had been received prematurely and were referred to the Council to be processed through our complaints process. The Council received no decisions from the Housing Ombudsman for the 2020/21 financial year, but the housing management service only returned to the Council on 1 October 2020.

The Local Government and Social Care Ombudsman received 23 complaints and enquiries against the Council during the 2021/22 municipal year. One was 'upheld', one was 'not upheld' and ten were closed after initial enquiries and 11 had been received prematurely and were referred to the Council to be processed through our complaints process.

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.

(f) Review of Internal Audit

The effectiveness of internal audit is monitored by 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

The overall opinion of the System of Internal Controls in operation throughout 2021/22 based on the work of the East Kent Audit Partnership is presented in their annual report to the Governance Committee in July.

- The internal auditors are independent to the management of the Council and have direct access to the Chair of the Governance Committee if required. They provide a regular update to the Committee at each of the quarterly meetings and may attend any special meetings that may be convened during the year.
- As at 31 March 2022 the Internal Auditors completed 297.6 days of review equating to 99.2% of planned completion.
- The EKAP undertakes a regular schedule of follow up audits to ensure that management have implemented the action plans arising from each audit. Members can see full details within the Internal Audit Annual Report 2021/22.
- The EKAP met as a team in March 2020 and considered the Public Sector Internal Audit Standards (PSIAS) Checklist for compliance. The results of this self-assessment showed that internal audit is currently working towards full compliance and has agreed an action plan to achieve this. The lack of an External Quality Assessment (EQA) against the PSIAS is hereby disclosed as non-conformance in this Annual Governance Statement. The four Section 151 Officers acting as the EKAP Client Officer Group continue to be content to rely on the self-assessment process for the PSIAS and not commission an EQA.
- As part of EKAP's quality monitoring arrangements Members should be aware that following the completion of each audit, a satisfaction questionnaire is completed by the managers of the service that has been audited enabling the officers involved to comment on the conduct and outcome of the audit. This information is used, in part, to inform the self-assessment and continuous improvement.

(h) External Reviews

There were no external reviews held this year.

(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 development plan, where training and development needs are discussed and agreed. These will now be provided annually to the HR Manager to help inform the training needs of the organisation, some of which will be delivered corporately via the Corporate Training Plan. In 2020/21 a number of Managers and Team Leaders continued to work towards an Institute of Learning and Management qualification (level 3 or level 5), which helps enhance their skills and knowledge as leaders in the organisation.

(j) **Members Code of Conduct**

During 2021/22 the Monitoring Officer has received 23 complaints, an increase of 1 when compared against the previous year. The 23 complaints received in 2021/22 related to members at 7 authorities, a decrease from 10 authorities the previous year.

The Governance Committee Hearing Panel was not called upon to meet during 2021/22. In accordance with Annex 1 of the Arrangements, it is reported that there were a total of three decisions of Informal Resolution agreed in respect of Members at Deal Town Council, Walmer Town Council and Sandwich Town Council.

During the municipal year 2021/22 there were no requests for dispensations.

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

- (a) The Annual Reports of the Scrutiny and Governance Committees provide a positive statement and opinion regarding the governance arrangements and the effectiveness of the internal control environment operating across this Council.
- (b) There were 15 cases reviewed by the Local Government Ombudsman during 2020/21, with maladministration being found in four cases (one each for Housing Repairs and Property Services and two in relation to Planning).
- (c) There were 23 cases reviewed by the Local Government Ombudsman during 2021/22, with maladministration being found in one case relating to Housing Needs.
- (d) 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.
- (e) A suite of performance indicator targets were previously approved by Cabinet and were then measured via the quarterly performance reports. A revised set of targets will be brought forward and reported via a Performance Dashboard in 2022/23.
- (f) It has been over four years since the General Data Protection Regulations (GDPR) came into force on 25 May 2018. The Council continues to progress with the requirements of data protection legislation. Including, but not limited to all staff training, reviewing data processing activity, developing our suite of privacy notices and retention schedules for services across the Council, and completing our records of processing activity using a new privacy management solution. Data Protection and the Rights and Freedoms of Individuals are at the forefront of personal data processing activities.
- (g) During the Covid 19 pandemic the Government introduced legislation to allow for local authorities to live broadcast its remotely held Council and Committee meetings that would in normal circumstances be open to the public. This proved to be very successful with levels of public viewing on several occasions in excess of that which could be comfortably accommodated in normal circumstances in the Council Chamber. Council approved for a trial period to test the feasibility of broadcasting meetings of the Executive, Council and Committees. The trial was subsequently extended for a further six months to the end of 2021/22.
- (h) During 2021/22, the Council agreed the creation of an additional Strategic Director post, to be designated as a Chief Officer in accordance with the Council's Constitution

and the revised distribution of Chief Officer functions be approved. Following unsuccessful recruitment, it was decided that internal only recruitment would take place instead and this process will be concluded during 2022/23.

7. **IMPROVEMENTS DURING THE YEAR**

- (a) The Council continues to work with the Cabinet Office to obtain continued Public Sector Network (PSN) Compliance. This included IT Equipment, systems and software upgrades to ensure PSN compliance and to ensure that staff and members can work safely and securely from any location.
- (b) The East Kent Corporate Information Governance Group continues to meet on a regular basis with the suite of Information Governance Policies (16 in total) being kept under regular review by the group. A full review of the policies was undertaken and approved by the General Purposes Committee in December 2020. The Head of Governance remains appointed as the Council's Senior Information Risk Officer (SIRO) with the Digital Services Manager as the Deputy SIRO.
- (c) The 2021/22 Pay Policy Statement was delivered and adopted at the Council Meeting in March 2022.

8. **OPINION OF THE HEAD 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: _____
Louise May
Head of Governance and HR

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 Head of Governance. We sign this Annual Governance Assurance Statement on behalf of the Council.

Signature:: _____ Date: _____
Councillor Trevor Bartlett
Leader of the Council

Signature:: _____ Date: _____
Nadeem Aziz
Chief Executive