

# Thanet District Council Annual Governance Statement 2019-2020

July 2020

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## Scope of responsibility

Thanet District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money allocated to it is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance on the 6 March 2019, which is consistent with the principles of the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executive's (SOLACE) Framework Delivering Good Governance in Local Government Guidance Notes for English Authorities 2016. This statement explains how Thanet District Council has complied with the code and also how we meet the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

The Code of Governance sets out the principles of good governance and describes the arrangements the Council has put in place to meet each of these principles. A copy of the Council's Code is available on our website at [www.thanet.gov.uk](http://www.thanet.gov.uk)

## The purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the Council directs and controls its activities, and how it leads, engages with and accounts to the community it serves. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve the Council's aims and objectives, but it seeks to provide reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify, prioritise and manage the risks to the achievement of the Council's aims and objectives.

The governance framework has been in place at Thanet District Council for the year ended 31 March 2020 and up to the date of approval of the annual statement of accounts.

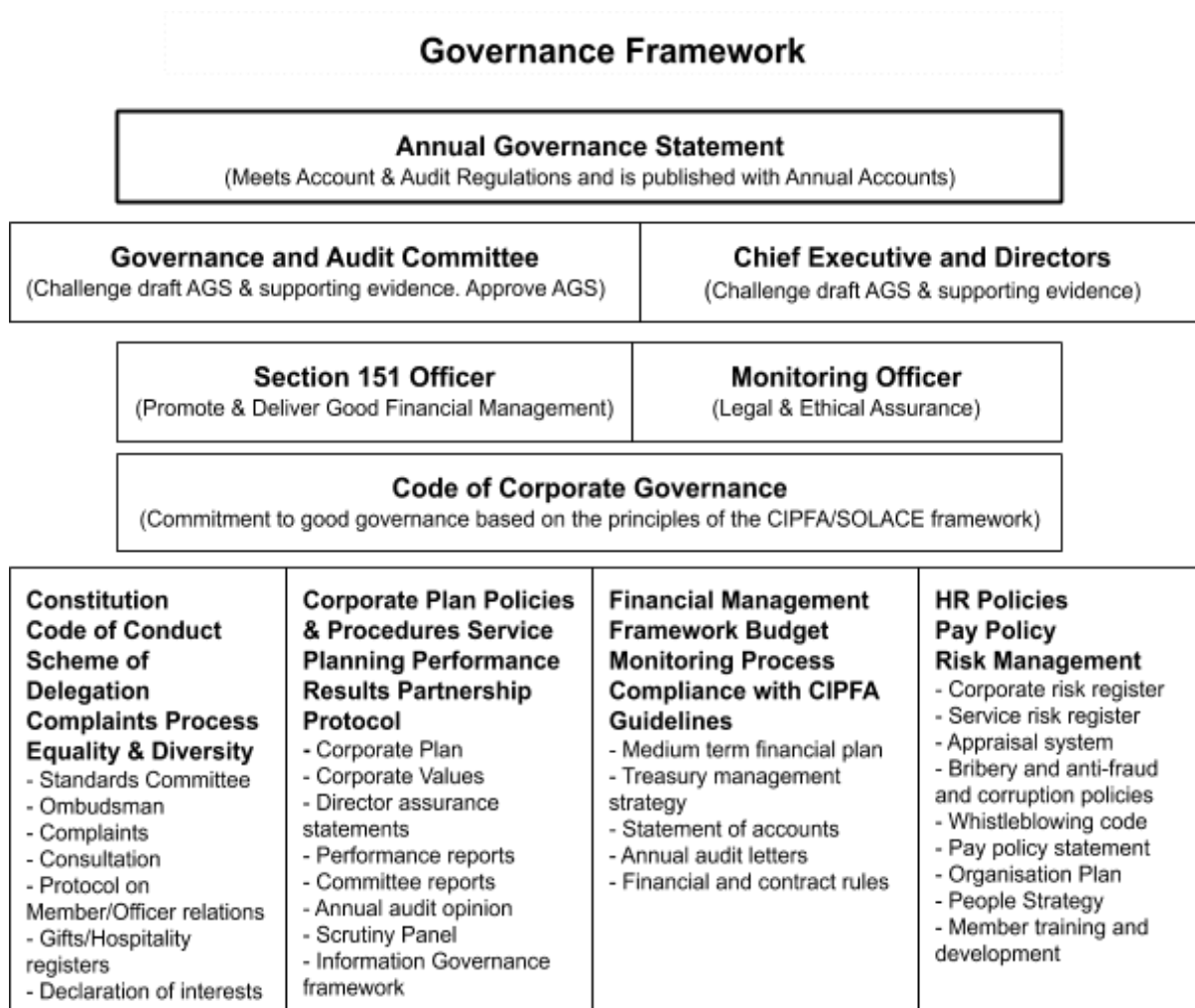
## The Governance Framework

The Council's Governance Framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business is focussed upon its corporate priorities and seeks to facilitate delivery to our local communities of the goals set out in the Corporate Plan. The structures and processes,

risk management and other internal control systems, such as standards of conduct, form part of this Framework, which is about managing the barriers to achieving the Council's objectives.

The local Code of Corporate Governance is reviewed annually through the Governance and Audit Committee. This last happened on 6 March 2019. Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Corporate Management Team (CMT) which comprises the Chief Executive and Directors. The Code of Corporate Governance sets out the controls in full and can be found at:

<https://democracy.thanet.gov.uk/documents/s63167/Thanet%20District%20Council%20Local%20Code%20of%20Corporate%20Governance%202019.pdf>



## Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:

- the work of the Director of Corporate Governance and Section 151 Officer, who have responsibility for the development and maintenance of the governance environment;
- the review of the effectiveness of the Council's Internal Audit Arrangements 2019/20, as provided by the East Kent Audit Partnership;
- comments made by the external auditors and other review agencies and inspectorates;
- the Audit & Governance Committee review that the elements of the governance framework are in place and effective, to ensure compliance with the principles.

The following annual documents also inform the review:

- Annual review of the Constitution
- Annual report of the Standards Committee
- Overview and Scrutiny Panel Annual Report
- Head of Internal Audit Annual Report
- Governance and Audit Committee Annual Report
- External Audit Annual Letter

A Governance Group comprising officers from legal, democratic support, finance and internal audit have considered the governance framework and areas where work is required.

The members of the Council's Corporate Management Team have considered the draft Annual Governance Statement and for each of their areas of control, acknowledge responsibility for risk management and internal control, and certifying satisfaction with the arrangements in place throughout 2019/20.

In accordance with section 3.7 of the Code of Practice on Local Authority Accounting for 2016/17, the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the CFO in Local Government (2010).

The Council's Monitoring Officer has a legal responsibility to look into matters of potential unlawfulness within the Council. In 2019/20 the Monitoring Officer reviewed the Council's Constitution and these will be progressed through the Constitutional Review Working Party and Standards Committee before being recommended to Council.

The Annual Reports from the Standards Committee, Overview and Scrutiny Panel and Governance and Audit Committee have also been considered in preparing this statement.

## Council

At the meeting on 11 July 2019, the Council agreed to call upon the four political groups and the single non-aligned Councillor to work together to identify preferred options for changing our system of governance, from the current Cabinet led system to a Committee led system, and then submit those options to the Constitutional Review Working Party for consideration.

No reports or options in relation to this decision were put to the Constitutional Review Working Party during 2019/2020.

At the extraordinary meeting on 10 October 2019, the Council agreed to remove Cllr Bayford as the Leader and he was replaced as Leader by Cllr Everitt.

At the meeting on 10 October 2019, the Council adopted a Corporate Statement and supporting Core Business Objectives for 2019-2023. See the link below.

<https://democracy.thanet.gov.uk/documents/s66020/Corporate%20Statement%202019-2024.pdf>

At the meeting on 16 January 2020, the Council accepted the recommendation from the Boundary and Electoral Arrangements Working Party on the review of polling districts, places and stations.

<https://democracy.thanet.gov.uk/documents/s67008/Annex%202.pdf>

## Overview and Scrutiny Panel

In 2018/19, the council created two overview and scrutiny panels which are the Executive, Policy and Community Safety Scrutiny Panel and the Finance, Budget and Performance Scrutiny Panel. These were decommissioned in May 2019 and replaced by a single Overview and Scrutiny Panel.

In 2019/20 the Panel carried out seven pre-decision reviews and eleven post decision reviews. The Panel received six cabinet member presentations where they engaged the portfolio holders in discussion on key review topics.

### Forward Plan Reviews

The Panel was invited to review the council budget proposals for 2020/21 that were later recommended to Full Council by Cabinet. Members discussed the proposals with the Leader of the Council, Portfolio Holder for Financial Services and Estates and senior officers. One of the key aspects of the budget proposals was tackling the budget gap and in particular, addressing the budget deficit at the Port of Ramsgate. After the debate, Members did not forward any recommendations to Cabinet.

On 17 February 2020 Cabinet considered the housing management options appraisal report. This was after a number of concerns had been raised by Members regarding the management of the council's housing stock by East Kent Housing. Specific failures of service delivery and poor performance were highlighted which led to Cabinet agreeing that the management of the Council's housing stock be brought back in-house.

### One-off Reports requested by the Panel

Cabinet sought the Overview and Scrutiny Panel's comments regarding the proposals in the draft Housing and Homeless Strategy for 2020-2025 leading up to a public consultation before Cabinet adopted the new Strategy.

The Overview and Scrutiny Panel received a presentation on temporary accommodation for homeless households. This detailed out the significant amount of work being done by the

Homelessness Team to tackle homelessness in the district by providing quick response support to households that found themselves in difficult situations.

### Scrutiny Reviews conducted by the Panel

The Overview and Scrutiny Panel reviewed unauthorised encampments in the district. A review group was set up in May which conducted the investigation over four months leading up to a presentation of a detailed report back to the Panel in November.

### Call-In Procedure

#### **Proposal for the disposal of the Dreamland freehold**

The Panel called-in a cabinet decision on the “Proposal for the disposal of the Dreamland freehold” after Cabinet had agreed to dispose of the asset, subject to agreement of external funders regarding the removal of ongoing grant obligations upon the Council, and subject to legal advice, to dispose of Dreamland to Sands Heritage Ltd.

#### **Port and Harbour Projects - Variation to 2019/20 Capital Programme**

Members called in a decision by the Leader of Council “to approve the capital project to deliver the Commercial Berth in the Eastern Gully of the Royal Harbour and realign the existing 2019/20 budget for berth 4/5” at the Port of Ramsgate.

## **Internal Audit**

### **Significant issues arising in 2019-20**

From the work undertaken during 2019-20, there were no instances of unsatisfactory responses to key control issues raised in internal audit reports by the end of the year. There are occasions when audit recommendations are not accepted for operational reasons such as a manager’s opinion that costs outweigh the risk, but none of these are significant and require reporting or escalation at this time.

The EKAP has been commissioned to perform only one follow up, there are no reviews previously assessed as providing a Limited Assurance that are yet to be followed up.

### **Overall Conclusion**

The work of Internal Audit and this report contribute to the overall internal control environment operating within EK Services, and also assists in providing an audit trail to the statements that must be published annually with the financial accounts for each partner council. It is a requirement of s.151 of the Local Government Act 1974 for the Council to maintain an ‘effective’ internal audit function, when forming my opinion on the Council’s overall system of control, I need to have regard to the amount of work which we have undertaken upon which I am basing my opinion.

Based on the work of the EKAP on behalf of EK Services during 2019-20, the overall opinion is that there are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control concerning either the main financial systems or overall systems of corporate governance. The EKAP assesses the overall system of internal control in operation throughout 2019-20 as providing reasonable assurance. No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This statement is intended

to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks.

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. Whilst one financial irregularity was investigated during the year at the request of management, the officer concerned resigned before the disciplinary hearing and consequently whilst the EKAP concluded a fact finding report into a potential fraud on behalf of Thanet District Council in 2019-20, the matter was not formally proven or disproven. The Head of Audit also undertook the role of 'commissioning officer' for a Whistleblowing fact finding matter in the year, that was not fully concluded by the year end.

## External Audit

On the 25 September 2019 Grant Thornton, the Council's external auditor reported to the Governance and Audit Committee and gave an unqualified opinion on the Council's financial statements on 31 July 2019 within their Annual Audit and Inspection letter.

Local government electors raised four objections with Grant Thornton challenging aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. They could not conclude on the VFM conclusion until they had dealt with the objections.

The 2018/19 accounts that the Committee agreed were correct, they had been produced in accordance with all relevant legislation and had been confirmed as accurate by the external auditor.

## Governance and Audit Committee

Internal Audit assessed corporate governance arrangements by measuring the Council against the requirements of the governance framework outlined in the CIPFA / SOLACE publication "Delivering Good Governance in Local Government", and the results of this have been reported to the Audit and Governance Committee.

The Committee continues to discharge its responsibilities to provide independent assurance on the adequacy of the council's risk management framework and the associated control environment, and in providing robust scrutiny and challenge of the Authority's financial performance.

### Homes England

Homes England undertook a compliance audit for 2018/19 which was reported to the Committee on the 24 July 2019. The compliance audit recorded no breaches of contract conditions. A green grading was issued that confirmed that the Council had met all contractual and programme requirements.

### East Kent Housing Health and Safety

An audit into East Kent Housing tenant Health and Safety was undertaken to provide assurance on the adequacy and effectiveness of the procedures and controls established by East Kent Housing to ensure the safety of all residents in all properties for which they are responsible for is not compromised. Testing undertaken during that review concluded that there were systemic failings in

relation to the internal control of health and safety, and a number of the necessary systems of control surrounding fire safety, electrical safety, lifts and Legionella were absent.

The Cabinet report set out the background to the identified failure to undertake inspections and the remedial action taken. Failures at both EKH and at the Council's appointed contractor at the time had led to the position where some properties did not have a valid LGSR. It was reported to Cabinet, that officers had:

- Met with the board and Chief Executive of EKH and requested daily updates on progress;
- Self-referred the issue with LGSRs to the Regulator for Social Housing and has provided updates on progress;
- Implemented alternative contract arrangements with alternative providers, who had now completed the backlog of work;
- Set up a new interim contract for all gas work, and;
- Progressed the procurement of a new permanent contract.
- Agreed a brief for a wide reaching review of health and safety management with the Regulator for Social Housing;
- Immediately set up a direct intervention, which involved an officer task force to investigate health and safety management at EKH, inspecting key buildings and relevant health and safety files;
- Recruited a specialist health and safety adviser to work with officers and enhance the scrutiny of EKH's activities.

On 17 October 2019 Cabinet decided to withdraw from East Kent Housing (EKH) and return the housing management services back in-house under direct management of the council. Following the appropriate consultation on the 17 February Cabinet formally agreed to transfer the housing function in-house.

There will be significant governance issues arising from the decision which will be managed during 2020/2021

### Contract Standing Orders

Internal Audit carried out a review to provide assurance to Management that the Council's practices for the procurement of goods and services achieves economic cost and good value for money and that Contract Standing Order guidance and supporting procurement practices/user instructions are relevant and complied with as appropriate. The review provided a reasonable assurance.

## **Standards Committee**

### Complaints under the Code of Conduct

In 2019/2020, of the 27 complaints received, 19 were judged not to meet the jurisdiction test. 8 cases were therefore progressed for consideration by a sub-committee. It was judged that in 4 cases no further action was deemed the appropriate response. 1 case was judged to have been a breach of the Code of Conduct and in consequence, a process of informal resolution was instituted. The 3 remaining complaints related to one Member, who ceased holding such office by



virtue of the Council elections in 2019. Accordingly, all further consideration of these specific complaints ceased. One of these cases, involving an employee of the Council as complainant, might on the basis of the allegations, have necessitated a formal investigation and consequential expense of an external investigator; fortunately avoided in this instance by democratic process

Since the new District Council has been elected in May 2019, the issue of Member behaviour has been less of an issue for the purposes of Standards compliance. This can be attributed to the Member training programme that officers laid on at the beginning of the new Council and in accordance with the Charter status for Elected Member Development.

### Training

Thanet District Council has maintained its Charter status for Elected Member Development.

### Standards Ethics and Governance

In 2019, the Committee on Standards in Public Life undertook a review of ethical standards in local government. Following that review, a draft Model Code of Conduct was published on the 20 March 2020 and was put out for consultation. However that consultation has been delayed by the Covid 19 pandemic.

## **Constitutional Review Working Party (CRWP)**

The CRWP met on the 21 June 2019, 24 September 2019 and 21 November 2019 to consider a report which set out the required arrangements for dealing with disciplinary action against the Council's Statutory Officers (Head of Paid Service, Chief Finance Officer and Monitoring Officer) in order to comply with the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015.

Council considered the same matter on 11 July 2019, 7 October 2019 and finally the 6 February 2020 when the provisions of the 2015 Regulations were adopted.

## **General Purposes Committee**

The General Purposes Committee considered advice from the Local Government Association on the efficacy of the Council's Grievance Policy (which applies to all staff), with respect to grievances in relation to statutory officers. The committee instructed East Kent HR (who discharge the Council's function of preparing and approving HR policies and procedures) to look at best practice through a benchmarking exercise and to prepare a new grievance policy based on the JNC model.

## **Corporate Risks**

The following corporate risks relate to significant governance issues.

### Political Stewardship

This continues to represent a risk to the council, as following the local elections the Council remains in no overall control. It is still evident that there remain ongoing issues which could have a

significant effect on the council. The council continues to pursue opportunities to support cross-party working and has implemented induction training for new members post election.

### Limited Resources

The high score for Limited Resources reflects the fact that it is one of the few risks that in extremis could result in the council losing control of its own destiny. There remains continued uncertainty regarding the external funding environment and challenges still exist with delivering the budget.

Therefore, the likelihood and severity of the impact of the risk becoming manifest (e.g. TDC having to terminate services, make large-scale redundancies and/or be externally governed or managed) remains high, not only now but for the immediate future.

### Brexit

The UK was due to leave the European Union on 31 October 2019. The UK Government is continuing to work on arriving at an agreed deal on exit. Significant risk prevails should no deal be agreed within the timescale. Whilst there are national concerns that must be addressed, the council must focus primarily on managing those risks which have a local and regional impact in particular.

The scale of its effect should not be underestimated and the Council has already begun some contingency planning for a disorderly Brexit. The significant issues to consider are those concerning the strategic transport network, funding and the port. In addition, the Council has identified a number of issues that could potentially impact on the council's ability to deliver its services.

With the UK leaving the EU on the 31 January 2021, this continues to be a corporate risk.

### East Kent Housing Performance

Deteriorating performance of EKH results in unacceptable risks to TDC tenants and residents. On 15 January 2019 an EKH improvement plan was approved by Cabinet that came into effect on 1 April 2019 and runs through to 30 September 2020.

As a result of the plan, EKH are being closely measured on their key performance indicators. Recently a lack of gas safety certificates for a high number of properties across Dover, Canterbury, Folkestone and Hythe and Thanet has raised the risk profile of EKHs ability to meet all aspects of the improvement plan. TDC alongside the other councils are now reviewing the current arrangements with EKH.

These risks will be managed by the Corporate Management Team and will be reported separately to the Governance and Audit Committee.

The above risks obviously pre-date the emergence of the Covid 19 pandemic and the announcement by the Prime Minister on the 23 March 2020 of the 'lockdown'. Covid 19 has had and will have a huge impact on the people of Thanet and the operation of the Council. The governance impact will be reported in the Annual Governance Statement for 2020/2021.

## Ombudsman Complaints

The Ombudsman received 41 complaints or inquiries during the year, and 43 decisions were made, of which: 4 were incomplete or invalid; 14 were referred back for local resolution, 13 were closed after initial inquiries, 4 were not upheld and 8 were upheld. The 'upheld' rate was 67% (compared to 50% in 2017/18). The Ombudsman issued no public reports against the Council.

There were no complaints which resulted in recommended actions with regard to significant governance matters.

## Monitoring Officer's Report

On the 25 July 2019 the Monitoring Officer issued a report under the Local Government and Housing Act 1989. The Monitoring Officer highlighted the breach by the Council's executive of Regulation 36 of the Gas Safety (Installation and Use) Regulations 1998 which placed a duty upon a landlord to have a gas safety check undertaken on an annual basis on appliances and flues to which the regulations apply.

At the same meeting on 25 July 2019 the Cabinet received a report which set out the management response to the concerns raised about gas safety certification as set out in the Monitoring Officer's report to Cabinet. The report set out the background to the identified failure to undertake inspections in a number of Council owned dwellings and the remedial actions taken.

A number of employment matters were raised between managers at the authority in 2019/2020 which need to be addressed and resolved. One matter was dealt with in 2019/2020, the others are following the formal processes, which should be concluded in 2020/2021.

## The Impact of Covid 19

The coronavirus Covid 19 pandemic has had a substantial impact on the Council's governance arrangements. The UK was put into lockdown on 23 March 2020 in an unprecedented step to attempt to limit the spread of coronavirus.

In early February 2020 Cllr Constantine resigned as a Councillor for Newington ward and a by-election was set for 19 March 2020. On government advice and subsequently through the Local Government and Police and Crime Commissioner (Coronavirus) (Postponement of Elections and Referendums) (England and Wales) Regulations 2020, the by-election was postponed until May 2021. The Council will therefore be operating with 55 of its 56 councillors until that date.

Under the same Regulations, the Police and Crime Commissioner Elections (which are carried out by the Council's Returning Officer) and which were due to take place on 7 May 2020 were postponed until May 2021.

On the 4 April 2020 The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020. This gave the Council powers to:

- Provide for remote access to Council meetings by members and by the press and public.

- Enabled the Council to hold and alter the frequency and occurrence of meetings without requirement for further notice.
- Provided for members of local authorities to attend meetings remotely
- Removed the requirement for an annual meeting in May 2020

The pandemic and subsequent ‘lockdown’ led to a change in the way staff operated with people working from home, and being re-allocated to Covid 19 support activities.

The work by Democratic Services on remote meetings supported the work of other East Kent Districts and was also provided as an example of good practice for the Association of Democratic services Officers.

<https://www.adso.co.uk/app/uploads/2020/05/ADSO-Virtual-Meetings-case-studies-updated-2020-05-28.pdf>

## Significant Governance Issues

Working towards good governance includes being open and transparent and supporting accountability to the public. The governance statement is one way of being more open about what is working well and what needs improvement. It is highly unlikely that everything will be ‘fit for purpose’: new risks emerge, expectations increase and controls change.

## Areas for Improvement

In concluding this overview of the Council’s governance arrangements, the following issues have been identified that need to be addressed to ensure continuous improvement in the Governance Framework. The aim is to address these weaknesses during the 2020/21 financial year, by way of an action plan for improving the governance framework and system of internal control. This will be subject to regular monitoring by the Governance and Audit Committee.

No	Issues	Summary of Action Proposed
1.	Financial Regulations are out of date and need to be refreshed	This refresh of Financial Regulations has been deferred to coincide with a wider Financial Management Review. The Chartered Institute of Public Finance and Accountancy (CIPFA) published their Financial Management Code in late 2019 and the Council will undertake a review of financial management later this year, which will help stabilise finances and to build for the future.
2.	Review of the Constitution - this was brought forward from 2019/2020	This will include: <ul style="list-style-type: none"> <li>• Planning Committee speaking rules and other committee procedural matters</li> <li>• Council petition scheme</li> <li>• Legal rules</li> <li>• Timetable for questions to Council</li> <li>• Questions to Council</li> </ul>

3.	Review of the Council's Constitution in relation to emergencies	To review the lessons learnt locally and nationally from the coronavirus epidemic and to determine what changes (if any) should be made to our governance arrangements to cover future emergency situations.
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## Approval of the Annual Governance Statement

The governance arrangements continue to be regarded as fit for purpose in accordance with the Governance Framework.

Signed Madeline Homer  
 Madeline Homer  
 Chief Executive

Date 25 July 2020

Signed  
 Cllr Rick Everitt  
 Leader of the Council

Date 25 July 2020

### Timetable

**Draft to AGS by the 31 August 2020**  
**Final Publication 30 November 2020**