



Rochester Castle

H. Annual Governance Statement



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1. Scope of responsibility

Medway Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having a 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, which includes arrangements for the management of risk.

In 2016, CIPFA and the Society of Local Authority Chief Executives (SOLACE) published a revised 'Delivering Good Governance' framework that "defines the principles that should underpin the governance of each local government organisation". The Council approved a local code of corporate governance based on the original guidance at its meeting on 13 November 2008. This Annual Governance Statement for 2018/19 has been prepared in line with the revised code of corporate governance and the 2016 framework.

Corporate governance is overseen by the Audit Committee each year when it reviews this statement, under delegation from the full Council. The operational elements of the Council's governance framework are the responsibility of the Chief Finance Officer and the Monitoring Officer within their statutory roles. Cabinet as the Executive also plays a significant role in ensuring that decision making and policy setting is undertaken appropriately.

This statement explains how the Council has complied with the code and also meets the requirements of Regulation 6 (1b) of the Accounts and Audit Regulations 2015 in relation to the publication of a governance statement.

Account has been taken of the 7 April 2020 CIPFA Better Governance Forum briefing paper, and references are made throughout to the impact of the Covid-19 pandemic on the Council, which started towards the end of the period, this statement relates to.

2. The purpose of the governance framework

The governance framework comprises the culture and values, systems and processes, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority 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 the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

3. Review of effectiveness of the governance framework

Medway Council has responsibility for conducting an annual review of the effectiveness of its governance framework, including the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the executive managers within the council who have responsibility for the development and maintenance of the governance environment, the Head of Audit & Counter Fraud's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

In maintaining and reviewing the effectiveness of the governance framework, the review has considered the following:

- The corporate and business planning processes of the council;
- The corporate performance management framework and the corporate performance reporting processes of the council;
- Reviews carried out by Internal Audit, External Audit and other review bodies which generate reports commenting on the effectiveness of the systems of internal control employed by the council;
- The consideration of External Audit reports by the Audit Committee;
- The opinion on the overall adequacy and effectiveness of the council's overall control environment from the Head of Audit & Counter Fraud.

The detailed results of the review have been considered by the Council's Corporate Management Team in advance of their endorsement of this Annual Governance Statement; assurances have been provided by members of the Corporate Management Team that key elements of the control framework were in place during the year in their divisions and control weaknesses were identified and addressed.

The following section of the statement summarises the results of this review; presenting the governance framework that has been in place at Medway Council for the year ended 31 March 2020 and up to the date of approval of this Statement.

Core Principle	How we have complied in 2019/20
<p>Principle A: “Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law”</p>	<p>The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council’s business are defined in the Constitution, Contract Standing Orders and Financial Regulations; the Monitoring Officer is responsible for reviewing and updating these as required.</p> <p>Codes of conduct are in place for, and define the high ethical values and standards of behaviour expected from, elected members and officers to make sure that public business is conducted with fairness and integrity.</p> <p>The Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. The Councillor Conduct Committee is regularly updated on compliance with the Code of Conduct.</p> <p>The outcome of complaints made under the whistle blowing policy are reported to the Audit Committee on an annual basis, in order that they can keep them under review.</p> <p>The Council seeks feedback from the public through its complaints and comments procedures and responds to the outcomes, as appropriate.</p>
<p>Principle B: “Ensuring openness and comprehensive stakeholder engagement”</p>	<p>Council meetings are held in public unless there are good reasons for not doing so on the grounds of considering “exempt” information within the meaning of the Local Government Act 1972, Schedule 12A.</p> <p>Unless confidential, decisions made by Council, the Cabinet or other Committees are documented in the public domain. All decisions are explicit about the criteria, rationale and considerations used. The impact and consequences of all decisions are clearly set out.</p> <p>The Council seeks community views on a wide range of issues and undertakes regular consultation and engagement with citizens and service users.</p> <p>During the Covid-19 Pandemic, virtual meetings have been held to conduct Council business and where necessary urgent decisions allowed for in the Constitution have been taken by the Leader and/or Chief Executive, which have then been reported.</p>

Core Principle	How we have complied in 2019/20
<p>Principle C: “Defining outcomes in terms of sustainable economic, social, and environmental benefits.”</p>	<p>The Council works with its partners to set the vision and priorities for the area. The Council manages a process of bringing together performance data, demographic information and consultation findings to determine key shared priorities.</p> <p>In 2019 the Council reviewed the Council Plan 2016/17-2020/21, its corporate business plan, to an aligned timetable with the resources strategy and budget. In February 2019 the council refreshed the Council Plan performance indicators. The Plan forms an essential part of the Council's governance framework, setting out the council's priorities and the measures against which success will be judged.</p> <p>All reports to the Council or Cabinet are checked by the Chief Finance Officer (the section 151 Officer) and the Chief Legal Officer (the Monitoring Officer) for financial and legal implications. The Council has been rigorous and transparent about how decisions are taken and recorded. Cabinet reports include a mandatory paragraph on risk to enable the Council to consider the implications of its decisions. Equalities are considered during the decision making process to promote fair access to services.</p> <p>All Cabinet and Council decisions are made on the basis of formal reports, which all follow a standard Council template. The template includes guidance on report writing which specifically refers to Diversity Impact Assessments (“DIA”) and provides a link to the Council’s DIA guidance which sets out how and when these should be completed.</p> <p>During the Covid-19 pandemic lockdown to minimise risk and to follow Government Guidance, Council meetings which would normally be open to the public have been live-streamed, via Microsoft TEAMS.</p>

Core Principle	How we have complied in 2019/20
<p>Principle D: “Determining the interventions necessary to optimise the achievement of the intended outcomes”</p>	<p>Decision makers receive objective analysis on a variety of options indicating how intended outcomes would be achieved together with the risks associated with those options.</p> <p>In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders. Community benefit is an important consideration in the procurement of goods and services.</p> <p>The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of the local community as stated in the Council Plan. For example, significant partner engagement in health and social care Strategic and Locality Plans.</p>
<p>Principle E: “Developing the entity’s capacity, including the capability of its leadership and the individuals within it”</p>	<p>The corporate management structure consists of the Chief Executive, three Directors (one of whom is the Deputy Chief Executive), five Assistant Directors and two Chief Officers.</p> <p>The roles of officers are defined in agreed job profiles. Staff performance is reviewed on an annual basis in accordance with the performance and development review (PDR) process.</p> <p>The Chief Executive is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/support to inform decision making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.</p> <p>The Member development programme has included a focus on scrutiny of Children’s Services to support the work to improve that area of the Council.</p>

Core Principle	How we have complied in 2019/20
<p>Principle F: “Managing risks and performance through robust internal control and strong public financial management”</p>	<p>The Council which has overall responsibility for directing and controlling the organisation has approved an Executive / Scrutiny model of decision making. The “executive committee” or Cabinet is the key decision-making and monitoring committee and the various scrutiny committees for reviewing policy decisions before and after implementation.</p> <p>The Council has a risk management strategy and approach whose main priorities are the robust systems of identification, evaluation and control of risks which threaten the Council’s ability to meet its objectives to deliver services to the public.</p> <p>The Chief Financial Officer (the Section 151 officer) is responsible for the proper administration of all aspects of the Council’s financial affairs including ensuring appropriate advice is given to the Council on all financial matters.</p> <p>The Council’s system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability.</p> <p>The Council has a proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably.</p> <p>A Medium Term Financial Strategy and associated Risk Register, and plans for revenue and capital income and expenditure based on corporate priorities are developed, led by the Cabinet and Corporate Management Team, and presented for approval by Council in February each year.</p> <p>Revenue and Capital Budget Monitoring reports are presented to the Cabinet on a quarterly basis for monitoring and control purposes including the annual outturn.</p> <p>During the Covid-19 pandemic, the Council has mobilised an internal control structure of Gold, Silver and Bronze and supported the Kent Resilience Forum in providing a Medway and Kent multi-agency response to the situation. Although discretionary services were stopped on Government advice, key statutory services such as Children’s Services, Housing, Adults Services and Waste collection were maintained. Policy for the Council’s response was set at the Gold level with regular community assurance messages given by the Leader of the Council. Tactical decisions to keep services going were made at the Silver level with some concentrated work around key risks such as the re-opening of schools, high streets and buildings managed at a Bronze level. In line with best</p>

	<p>practice the Council prepared for recovery from the start of the pandemic, in March.</p>
<p>Core Principle</p>	<p>How we have complied in 2019/20</p>
<p>Principle G: “Implementing good practices in transparency, reporting, and audit to deliver effective accountability”</p>	<p>The Head of Audit & Counter Fraud provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance. This is carried out by an in-house team in conformance with the Public Sector Internal Audit Standards. The opinion of the Head of Audit & Counter Fraud over the Council’s overall control environment, delivered in the Audit & Counter Fraud Annual Report 2019/20 is:</p> <p>The Accounts & Audit Regulations 2015 require local authorities to ensure that they have: <i>a sound system of internal control which— (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk.</i> The system of</p>

internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The Audit & Counter Fraud Team has carried out all internal audit work in line with the Public Sector Internal Audit Standards and in accordance with our Quality Assurance & Improvement Programme.

In my capacity as Chief Audit Executive, with responsibility for the provision of internal audit services to the council, I am required to provide the organisation, and the Chief Executive, with a statement as to my opinion of the adequacy and effectiveness of the organisation's risk management, control and governance processes. This opinion is intended to support the council's annual governance statement.

In assessing the level of assurance to be given, the following have been taken into account;

- The results of all work carried out by the Audit & Counter Fraud Shared Service for Medway from the preparation of the Annual Internal Audit Report 2018-19 in June 2019 to the 30 June 2020,
- follow-up of recommendations linked to audits from previous periods,
- Significant recommendations not accepted by management or acted upon and the consequent risks,
- The effects of any significant changes in the organisation's objectives or systems, including,
- The effects of changes to the control environment resulting from emergency decisions taken in response to the Covid 19 Pandemic,
 - Matters arising from previous reports to the organisation, and
 - The results of work performed by other assurance providers.

While suspension of internal audit activity during emergency response has had some impact on the volume of planned assurance work being completed, I am satisfied that the;

- approach to extend the period of completion for assurance reviews overrunning from 2019-20,
- monitoring of changes to the control environment as emergency decisions were made, with responsive assurance applied as necessary, and
- assurance related activities undertaken by redeployed staff in new areas of risk, such as business support grants,

means that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the organisation's risk management, system of internal control and governance processes.

While it has been identified that the authority has mainly established adequate internal controls within the areas subject to review between 01 April 2019 and 30 June 2020, there are areas where compliance with existing controls should be enhanced or strengthened or where additional controls should be introduced to reduce the risk of loss to the authority. Where such findings have been made, recommendations have been made to management to improve the controls within the systems and processes they operate. Management have accepted responsibility for the implementation of these recommendations and follow up arrangements are in place to ensure that appropriate action is taken. The results of all work completed will be reported to the Finance & Audit Committee in accordance with the Audit & Counter Fraud Charter.

It is therefore my opinion that Medway Council’s framework of governance, risk management and system of internal control is adequate and effective, and contributes to the proper, economic, efficient and effective use of resources in achieving the council’s objectives.

4. Update on actions identified in the 2018/19 Annual Governance Statement

The Annual Governance Statement for 2018/19 identified three key areas of focus:

- (a) *After a Joint Targeted Area Inspection (JTAI) focussing on the “front door” of social care it is widely anticipated that a full Ofsted Inspection of Local Authority Children’s Service (ILACS) will take place this year..... That ILACS inspection did take place and found the Council still to be inadequate in the provision of its Children’s Services. A Commissioner has been appointed by the Government and a series of improvement measures put in place. An Assistant Director for Children’s has been recently appointed. Whilst the early signs, including the official reporting from the Commissioner to the Secretary of State, indicate positive progress, improvement of outcomes for children, will involve a sustained whole organisation commitment.*
- (b) *With a budget pressure identified in this year’s revenue budget, continued work will need to be done to identify additional income or cost reductions. The Leader and Cabinet will want to ensure there is strong Member oversight of this work, with Corporate Management Team responsible for identifying areas for consideration. A balanced budget was achieved including some additions possible to reserves. That may not be sufficient to overcome the unprecedented budgetary impact of the Covid-19 pandemic.*
- (c) *The Council has an ambitious set of regeneration projects many of which are either just starting or due to start this year. The Council will hear the outcome of its £170 million Housing Infrastructure Fund bid, will commence building homes in central Chatham and Gillingham, take ownership of the Pentagon Shopping Centre, learn the outcome of its £14 million Future High Street Fund bid and start works to develop the Innovation Park Medway. These and a range of other projects will need to be appropriately managed to ensure delivery but also to enable the Council to make the most of these significant opportunities. The Council was successful in being awarded the £170 million HIF bid. The construction of homes through the Council’s company, Medway Development*

Company Ltd, has started. The Pentagon Centre was acquired in April 2019. The Future High Streets Fund bid has been lodged.

5. Proposed enhancements to the Council's governance arrangements

The review of the effectiveness of the Council's governance framework for 2019/20 did not highlight any specific areas of concern. Where internal audit work has indicated additional controls could be in place, officers are focussed on making the necessary changes to do so.

However the following areas have been identified where the Council will seek to enhance its arrangements in the coming year:

- (a) The impact of the Covid-19 pandemic has been felt across the full range Council services, both essential and discretionary. This has been reflected in an unprecedented budgetary impact. Commitments made at the start of the pandemic by the Minister for Housing, Communities and Local Government, suggested that Council would be compensated for the financial impact of reductions in incomes and increased costs during the main "response" phase of the pandemic. It remains to be seen whether that compensation will be forthcoming. The Council has reported a possible £40 million gap in its finances. This will represent an insurmountable gap, without some central Government intervention. Significant effort will be required by Cabinet and Officers to identify budget efficiencies to offset pressures that are identified through the quarterly reporting of the revenue and capital budgets.
- (b) The Children's Services improvement journey must be sustained and initiatives such as a Child Friendly Medway will have a role to play in showing that the Council means business in wanting better outcomes for all children. Concerted corporate effort from the Lead Member, Leader, Chief Executive, Director of Children and Adults, Corporate Management Team and colleagues both in Children's Services and other Council teams will be needed to effect better outcomes for the most vulnerable children in Medway. Additional training for Members to scrutinise risks and progress will have a role to play. Performance will need to be carefully monitored through the Children's Improvement Board. The role of the Corporate Parenting Board in ensuring the voice of the child is heard will also be important to demonstrating improvement.
- (c) The delivery of key operational and regenerative projects remains a priority for the Council and none more so than the £170 million Housing Infrastructure Fund project. Appropriate project management including Member oversight will be needed to ensure progress against key milestones. Consideration will be needed to the consequences of delaying some of the current live projects, due to the impact of the Covid-19 pandemic and the cessation of some projects, where market change dictates. Judgements made will need to involve professional officer advice and where merited, specialist external advice.
- (d) Climate change. The Council declared a climate change emergency in April 2019. Work is progressing to base line the carbon emissions within Medway to date and consider a range of measures to complement work already happening to respond to the climate change emergency. Concerted effort across a number of energy reduction and environmental schemes will be needed to deliver the strategic aims identified. Performance will be enhanced by community leadership by the Council through the Deputy Leader, supported by Officers and partners to deliver improved outcomes.

- (e) Recovery from the Covid-19 pandemic could present a sustained risk to the Council and the local community. With work having started in March, as the pandemic was declared, the Council has taken a best practice approach to preparing for recovery. Appropriate strategic direction will be needed from the Leader and Cabinet to focus how the Council will contribute to and manage recovery. Officers will want to draw on the heightened levels of collaborative working that have been a key characteristic of the response to the pandemic to enhance the recovery phase.

An update on the implementation of these areas of review will be provided in the 2020/21 Annual Governance Statement.

6. Conclusion

Based on the results of the review, reasonable assurance can be placed upon the adequacy and effectiveness of Medway Council's systems of internal control and governance. Although areas for further enhancement have been identified the annual review demonstrates sufficient evidence that the Council's Local Code of Corporate Governance is operating effectively and that the Council complies with that Local Code in all significant respects.

Certification by the Leader of the Council

I confirm that the 2019/20 Annual Governance Statement has been considered and approved by Medway Council at the meeting of the Audit Committee on 27 June 2019:

.....
Date:

Certification by the Chief Executive

I confirm that the 2019/20 Annual Governance Statement has been considered and endorsed by Medway Council's Corporate Management Team:

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Date: