

# **Medway Council**

## **Annual Governance Statement 2023-24**

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## 1. Scope of responsibility

Medway Council is a unitary local authority in the Southeast of England and is responsible for providing numerous public services to its population. The Council when conducting its business is obligated through law that

- it does so in accordance with the law and proper standards,
- public money is safeguarded,
- public money is
  - properly accounted for
  - used economically, efficiently and effectively.

The Council also has a Best Value 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. The government has recently updated its guidance to local authorities by issuing Best Value Standards and Intervention: statutory guide for best value authorities (May 2024). Whilst the period of this statement precedes that document, the contents of the latter have been considered in the production of the former.

In discharging its functions, the Council must put in place proper arrangements for the governance of its affairs, effective exercise of its functions and manages risks.

In 2016, CIPFA and the Society of Local Authority Chief Executives (SOLACE) published '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 2023/24 has been prepared in line with the revised code of corporate governance, the 2016 framework and taking into account the 2024 statutory best value guidance.

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 Operating Officer (S151 Officer) and the Monitoring Officer within their statutory roles. The council operates a Leader and Cabinet governance model and thus they also play a significant role in ensuring that decision making and policy setting is undertaken appropriately.

This statement sets out 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.

## **2. The purpose of the governance framework**

The governance framework comprises the culture, values, systems and processes, by which the authority is directed, controlled, the 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 therefore it can only provide a 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 a responsibility to conduct an annual review of the effectiveness of its governance framework, including the system of internal control. That review is informed by the work of the elected executive and employed managers who have responsibility for the development and maintenance of the governance environment, the Head of Internal 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 Internal 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 sections of this statement summarise the results of this review; presenting the governance framework that has been in place at Medway Council for the year ended 31 March 2024 and up to the date of approval of this Statement.

Core Principle A	How we have complied in 2023/24
<p>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>	<p>The roles and responsibilities of elected members, officers and the processes to govern the conduct of the Council's business are set out in the Constitution, this includes summaries in the Articles of the Constitution and detailed rules governing contracting, procurement and financial matters. The Monitoring Officer, supported by a team, is responsible for reviewing and updating the constitution as required.</p> <p>Codes of conduct, based on the Nolan principles for conduct in public life 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. The codes require disclosure of relevant interests and abstaining from debate and decision making in defined circumstances. A process for receiving complaints of alleged breaches by members is published on the councils website and the procedure that will be followed for their determination. The council has appointed an Independent Person to support the Monitoring officer and the work of the Councillor Conduct Committee, which is periodically updated on compliance with the Code of Conduct.</p> <p>The Monitoring Officer and his team are responsible for ensuring that agreed procedures are followed, that decisions are intra vires and that all applicable statutes and regulations are complied with. All reports to decision making forums contain detailed financial and legal implications written by subject matter professionals and his team of officers in Democratic Services ensure that internal governance procedures are complied with.</p> <p>Complaints received under the Council's whistle blowing policy, Speak Up, are received and reviewed by the Council's S151, Monitoring and Chief Organisational Culture officers. The outcome of such complaints are reported to the Audit Committee on an annual basis.</p> <p>The Council seeks feedback from the public through consultation exercises, questions to full council, petitions, its complaints and comments procedures and responds to the outcomes, as appropriate. The Council's corporate management team regularly receive reports on complaints handling and the Monitoring Officer receives communications on and attends meetings to discuss the outcomes of complaints escalated to the Local Government and Social Care Ombudsman.</p>

Core Principle B	How we have complied in 2023/24
<p>Ensuring openness and comprehensive stakeholder engagement</p>	<p>All meetings of the Council, its committees, the Executive (Cabinet), Overview and Scrutiny committees and reports considered there are produced, circulated and held in public unless there are good reasons for not doing so, primarily relating to material considered to be “exempt” within the meaning of the Local Government Act 1972, Schedule 12A. A proportionate approach is adopted to exempt only that information which needs to be kept private with the remainder being considered in open sessions.</p> <p>Meetings of the Council, Cabinet and other committees are accessible by members of the public through live streaming in addition to attendance in person and post event on media streaming channels.</p> <p>The constitution details those forums and the mechanisms by which questions/representations can be made by members of the public/ stakeholders.</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>Urgent decisions allowed for in the Constitution are kept to a minimum and retrospectively reported to Council to uphold transparency and accountability.</p> <p>The Council seeks community views on a wide range of issues and undertakes regular consultation and engagement with citizens and service users using a variety of engagement methods.</p>

Core Principle C	How we have complied in 2023/24
<p>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>The Council 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 out municipal elections were held in May 2023 with revised ward boundaries and an increase in the number of elected members. The election resulted in a change of administration and three political groups were formed on the council. With a change in political priorities a light refresh of the plan was conducted early in the municipal year.</p> <p>There is programmed periodic reporting of progress against the plan and achievement against targets and milestones. The overview and scrutiny committees hold the executive to account in public meetings on their performance levels and proposed remedial plans, if any are required.</p> <p>All Cabinet and Council (including matters delegated to committees) decisions are made following consideration of formal reports, which all follow a standard Council template.</p> <p>The template was modified to bring greater clarity to the outcomes being sought and guidance provided 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>All such reports are checked on behalf of the Chief Operating Officer, (S151 Officer) and the Assistant Director for Legal and Governance (the Monitoring Officer) for financial and legal implications.</p> <p>Cabinet reports also include a mandatory paragraph on risks and equalities, and where relevant climate change implications to enable the Council to consider holistically the implications of its proposed decisions, promote its public sector equality duty and as well as explicit equalities implications to promote fair access to services and take the longer view about the impact of the decision on future generations impacted by climate change.</p> <p>The Council is rigorous and transparent about how decisions are taken and recorded, with clear recommendations set out</p>

	in the reports together with reasons for those recommendations.
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<b>Core Principle D</b>	<b>How we have complied in 2023/24</b>
Determining the interventions necessary to optimise the achievement of the intended outcomes	<p>Reports presented to decision making forums present options followed by a clear objective analysis and a set of recommendations together with reasons for those recommendations. Associated risks and mitigation strategies are also detailed.</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. Where greater levels of efficiencies and or effectiveness can be achieved, this is achieved through partnership working and collaborative use of resources across the voluntary, public and private sectors. Community benefit and added social value is an important and formal consideration in the procurement of goods and services where possible.</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.</p> <p>The budget setting process is extensive utilising economic projections and service led demand analysis to make sure estimates are robust and realistic.</p>



Core Principle E	How we have complied in 2023/24
<p>Developing the entity's capacity, including the capability of its leadership and the individuals within it</p>	<p>Following the municipal elections a new administration took charge in May 2023 with the appointment of a new Leader, Cabinet Members and welcoming a significant cohort of first-time councillors. A comprehensive induction and training programme, tailored for specific roles, was provided for all members of the council</p> <p>Additionally, following a competitive process the Council's new Chief Executive took office on 1 July 2023 following the retirement of the previous postholder.</p> <p>The corporate management team and members of the Cabinet (team of 25) meet regularly to discuss and agree strategic direction and operational matters. Such meetings are conducted away from the public gaze to enable the frank exchange of views, appropriate checks and balances on authority, and a meeting of minds to facilitate collective decision making. Such conversations support capacity development and the attainment of new skills and experience.</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>There are regular meetings between senior officers and Cabinet portfolio holders, committee chairpersons to ensure close working and the development of professional relationships.</p> <p>The three statutory officers responsible for corporate governance meet on a monthly basis to share and discuss matters affecting the council's operations and broader strategic issues.</p> <p>The corporate management team consisting of the Chief Executive, two Directors (one of whom is the Deputy Chief Executive), the Director of Public Health, Chief Operating Officer (the statutory Section 151 Officer), Assistant Director Legal and Governance (the statutory Monitoring Officer), six Assistant Directors was expanded to include the Chief Organisational Culture Officer and the Head of Communications and Marketing.</p> <p>The roles of officers are defined in agreed job profiles. As the Council embarked on a review of MedPay, role profiles are being reviewed and updated. Staff performance is formally</p>

	<p>reviewed on an annual basis (inclusive of a mid-year review), regular 121s in accordance with the performance and development review (PDR) process. A new performance model has been introduced for those colleagues who have progressed through the Medpay review.</p> <p>A number of council functions are delivered through a shared services model, external partners and wholly owned companies. A review of the governance model for the council's three LATCOs was commenced with changes to the arrangements for the appointment of directors and holding to account of the company board of directors.</p> <p>The constitution includes a member officer protocol approved by full Council delineating the separate roles of officers and Members and also citing how both need to work together to optimise outcomes for the population.</p> <p>A publicised scheme of delegations sets out those matters on which different member fora have decision making responsibility and further a scheme for officers that sets out those matters upon which they have authority to take decisions is regularly updated.</p>
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Core Principle F	How we have complied in 2023/24
<p>Managing risks and performance through robust internal control and strong public financial management</p>	<p>The Council has overall responsibility for directing and controlling the organisation, it has approved an Executive / Scrutiny model of decision making. The Executive or Cabinet is the primary decision-making, which appointed three sub committees to manage the three LATCOs.</p> <p>Holding the Executive to account is undertaken by four scrutiny committees in addition to reviewing policy decisions before and after implementation. For the first time, one scrutiny chairperson has been appointed from the largest opposition political group. Members have the power to “call in” decisions made by the Executive for review. Portfolio Holders periodically attend scrutiny meetings held in public to be held to account and each such committee is supported by Democratic Services and a senior officer.</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. The risk strategy was revised (to be implemented for the next year).</p> <p>The Chief Operating Officer (statutory 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>Due to a challenging financial outlook, the Council engaged CIPFA to undertake a corporate governance review, which found no weaknesses, and support the council’s application for exceptional financial support.</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>Managers monitor budgets on monthly basis with revenue and capital budget monitoring reports considered by the corporate management team and Cabinet on a quarterly basis for monitoring and control purposes including the annual outturn.</p>
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<b>Core Principle G</b>	<b>How we have complied in 2023/24</b>
<p>Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>	<p>The Head of Internal Audit &amp; 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 Internal Audit &amp; Counter Fraud over the Council's overall control environment, delivered in the Audit &amp; Counter Fraud Annual Report 2023/24 is:</p> <p>The Accounts &amp; Audit Regulations 2015 require local authorities to ensure that they have: 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.</p> <p>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, internal control, and governance processes. This opinion is intended to support the council's annual governance statement. The overall scope of internal audit work is defined in the Internal Audit Charter and the specific scope of work for the year 2023-24 was detailed in the Internal Audit Plans, which were approved by the Finance &amp; Audit Committee. The Plans cannot address all risks across the council, but available resources are focused on the highest areas of risk to the authority and those linked to its corporate objectives. The opinion that follows is based on all work completed since the last annual opinion was delivered, including overrunning reviews from 2022-23 and work outlined in the 2023-24 Plans.</p> <p>The Internal Audit team operates in accordance with the working practices set out in the Internal Audit Manual and work is subject to supervision and quality review. This means we can be satisfied that the team has carried out all internal audit work in line with the Public Sector Internal Audit Standards and in accordance with our Quality Assurance &amp; Improvement Programme.</p> <p>In forming my opinion, I have considered the following:</p> <ul style="list-style-type: none"> <li>• The outcomes of work completed by the Internal Audit team since the last annual opinion,</li> <li>• The findings of previous years' internal audit work carried out,</li> <li>• The risk management processes of the council,</li> </ul>

- The monitoring of progress to implement agreed actions identified in earlier reviews to ensure that control weaknesses identified by the Internal Audit team have been mitigated,
- The outcomes of consultancy work completed by the Internal Audit team, and
- The outcomes of counter fraud and investigation work completed by the Counter Fraud team.

There were no matters identified through the counter fraud work carried out which have a material impact upon the corporate governance, risk, and internal control framework of the council. While placing no specific reliance on sources of external assurance, these have been considered alongside the work completed by the Internal Audit team.

The council has a duty to manage its resources in a proper, economic, efficient, and effective manner to achieve its objectives. It applies internal controls to manage risks to an acceptable level as it is not possible to remove risks to achieving these objectives completely. The Internal Audit team can only provide reasonable and not complete assurance of effectiveness. The work completed as part of the Internal Audit Plans for 2023-24, and reviews overrunning from the 2022-23, is summarised in this report, assessing the effectiveness of managing the risks identified by the council, and forms the basis of evidence for my overall opinion. While not all risks have been examined within our work programme, I am satisfied that those not directly examined have a sufficient assurance approach in place to provide reasonable assurance of effective management.

While it has been identified that the authority has mainly established adequate internal controls within the areas subject to review since my last opinion was issued in September 2023, there are areas where compliance with existing controls should be enhanced or strengthened or where additional controls should be introduced to reduce the council's exposure to risk. Where such findings have been identified, actions have been agreed by management to improve the controls within the systems and processes they operate. Management have accepted responsibility for the implementation of these actions and follow up arrangements are in place to ensure that appropriate action is taken. I am therefore satisfied that there is sufficient evidence to draw a reasonable conclusion as to the adequacy and effectiveness of the organisation's risk management, system of internal control and governance processes.

#### **Annual Opinion 2023-24**

#### **Corporate Governance**

Corporate Governance is defined as being the structure of rules, practices, and processes.

that direct and control the Council. The reviews of Procurement Compliance and Risk Management Framework undertaken in 2022-23, however the planned review of Code of conduct could not take place during 2023-24. As such we can only place limited assurance in relation to corporate governance, although this is caveated with the fact that there has been nothing to indicate that the council has failed to comply with corporate governance guidance.

### **Risk Management**

The council has a risk management strategy that is approved by Cabinet and maintains a corporate risk register that is regularly reviewed. A review of risk management compliance was conducted in 2022-23, resulting in an Amber opinion and the one action arising has been completed.

I am satisfied that we can place adequate assurance on the council's risk management arrangements for 2023-24.

### **Internal control**

Fieldwork was completed in relation to 24 assurance reviews during 2023-24, 17 of which have been finalised with client services, along with a further nine reviews from 2022-23 that were finalised in 2023-24 after the last annual opinion was delivered. Of these finalised reviews, 22 resulted in Amber or Green opinions, indicating that all key risks were being managed effectively.

Where actions for improvement were agreed, these were subject to a follow up process to ensure that they had been implemented appropriately. This follow up process identified that 80.8% of all actions due to be implemented in 2023-24 (80 of 99 actions) have been completed.

I am satisfied that we can place adequate assurance on the aspects of the system of internal control tested and in operation during 2023-24.

### **Overall Opinion**

It is my opinion that during the year ended 31 March 2024, Medway Council's framework of governance, risk management, and system of internal control, were adequate, and contributed to the proper, economic, efficient, and effective use of resources in achieving the council's objectives.

James Larkin

Head of Internal Audit & Counter Fraud Shared Service

#### **4. Update on actions identified in the 2022/23 Annual Governance Statement**

The Annual Governance Statement for 2022/23 did not identify any areas for review and possible enhanced arrangements.

#### **5. Proposed enhancements to the Council's governance arrangements**

The review of the effectiveness of the Council's governance framework for 2023/24 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.

#### **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, which this year are supported by the review undertaken by CIPFA. 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 2023/24 Annual Governance Statement has been considered and approved by Medway Council at the meeting of the Audit Committee on XX September 2024 (minute XXX refers):

.....  
Date:           XXX 2024.

#### **Certification by the Chief Executive**

I confirm that the 2023/24 Annual Governance Statement has been considered and endorsed by Medway Council's Corporate Management Team ( XXXX 2024):

.....  
Date:           2024