

Swale Borough Council
Annual Governance Statement 2021-22
(Extract from Statement of Accounts)

1. Scope of Responsibility

- 1.1 Swale Borough Council is responsible for ensuring that:
- (i) its business is conducted in accordance with the law and proper standards;
 - (ii) public money is safeguarded and properly accounted for; and
 - (iii) public money is used economically, efficiently and effectively.
- 1.2 The Council also has a duty under the Local Government Act 1999 to make arrangements to secure 'Best Value' in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In meeting this obligation, the Council has a responsibility for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.4 In June 2017 the Cabinet agreed an updated Local Code of Corporate Governance based upon the 2016 Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework 'Delivering Good Governance in Local Government'. There are no changes to the Code for this year but it notes that it is important that the Annual Governance Statement is kept up to date at time of publication. However, in March 2022 the Chartered Institute of Public Finance and Accountancy (CIPFA) Practice Oversight Panel issued an advisory note on governance. The note emphasises that all local authorities should reflect upon any weaknesses in governance identified and identify learning points to mitigate the risk of similar issues arising. In addition, CIPFA requires councils to continue to consider the impact of Covid 19 on their governance arrangements, and to disclose compliance with the CIPFA Financial Management Code and identify any outstanding areas for improvement or change.
- 1.5 This Statement explains how Swale Borough Council has complied with the principles of good governance and reviews the effectiveness of these arrangements. It also meets the requirements of the Accounts and Audit Regulations 2015 (Amended).
- 1.6 The May 2019 elections resulted in control of the Council passing to a five party coalition comprising the Labour, Swale Independent Alliance, Liberal Democrats, Green and Independent groups. The administration has a very well defined programme which they are implementing.
- 1.7 This year has seen a change in the section 151 officer for the Council. The role was covered internally by the Head of Finance and Procurement from July 2021 until October 2021 when the Director of Resources took up post.

2. Impact of Covid 19 on the Council

- 2.1 Covid 19 was the most significant event this country has dealt with since the end of World War 2. Government looked to councils to take a major role in the response primarily in supporting the most vulnerable in the community, passing on financial support to businesses, enforcing lockdown measures and promoting vaccinations. Whilst the position was slightly improved from the experience of 2020/21, the

continuation of government backed grants to individuals and businesses increased the workload for the teams responsible for delivering the grants.

- 2.2 In governance terms the weekly meetings of Informal Cabinet continued to focus on Covid related issues with all of the Strategic Management Team (SMT) and other key officers in attendance. SMT meetings also focussed on Covid and with additional weekly meetings of SMT reintroduced when lockdowns were in place.
- 2.3 During the initial lockdown period in 2020/21 all staff left the building and the majority of staff continue to work from home for an average of 3 days per week. IT technology of the Council continues to support the hybrid approach to home and office based work and the previous decision to move all staff to work on laptops was highly beneficial. All councillors were also allocated a Swale laptop. In general staff adapted very well to working from home.
- 2.4 Council committee meetings continued to be held where possible, with a brief period in January 2022 when meetings were cancelled due to the rise in Omicron cases. The council's Emergency Committee met in this period to enable a small number of urgent decisions to be taken with other business was postponed to future meetings which subsequently were able to be held.
- 2.5 Reflecting on the experience with covid and the uncertain future course of the pandemic, a new delegation to the chief executive was agreed in January, enabling her in emergencies or other circumstances in which the council or a committee cannot meet, to take decisions which would otherwise be taken by members. The decisions will have regard as fully as possible to the views of the members who would otherwise have made the decision.
- 2.6 Financially the impact of Covid continues to be felt, with income receipts still falling short of the revised targets as the pandemic continues for far longer than expected. Government support for income losses was made available for the first quarter of 2021/22 but losses continued throughout the whole financial year. Financial planning for 2022/23 includes assumptions on a permanent loss of some of our sources of income that are not expected to recover to pre pandemic levels.
- 2.7 As reported in this statement for last year, an already under resourced staffing structure has been stretched well beyond its limits, individual members of staff have responded incredibly well but the long-term impact of these demands and in general of Covid cannot be overestimated. Much the same applies to councillors. The impact of Covid on the Council will be long lasting.
- 2.8 In addition to the impact of Covid, the council is also having to manage the cost of living crisis. This has implications for both the cost of council services and cost of living for our residents. Budget provision has been made for an element of inflationary increases in our costs, but the constant rise in inflation is a significant risk to the budget.

3. The Purpose of the Governance Framework

- 3.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. 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.

- 3.2 The system of internal control is a significant part of that 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 can only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to:
- (i) identify and prioritise the risks to the achievement of Council's policies, aims and objectives;
 - (ii) evaluate the likelihood of those risks being realised and the impact should they be realised; and,
 - (iii) manage them efficiently, effectively and economically.
- 3.3 The governance framework has been in place at the Council for the year ended 31 March 2022, and up to the date of approval of the Statement of Accounts.

4. The Council's Governance Framework

- 4.1 A brief description of the key elements of the Council's governance framework is described below.

Communicating the Council's Vision

- 4.2 In October 2020 Council agreed a new Corporate Plan "Working together for a better borough". The plan is structured around four high level priorities, each containing a number of specific objectives. The four priorities are:
- (i) Building the right homes in the right places and supporting quality jobs for all.
 - (ii) Investing in our environment and responding positively to global challenges.
 - (iv) Tackling deprivation and creating equal opportunities for everyone.
 - (v) Renewing local democracy and making the council fit for the future.
- 4.3 Area Committee meetings continued in 2021/22. These are intended to have a local focus and to more widely engage councillors and the community, with four committees meeting quarterly.

Management of Resources

- 4.4 The Council seeks to use its resources efficiently and obtains value for money via a number of arrangements. These include:
- (i) A medium term financial plan and annual budget process that ensures that financial resources are directed to the Council's priorities.
 - (ii) A financial monitoring process which closely monitors expenditure and income with detailed monthly reporting to SMT and quarterly reporting to Cabinet and Scrutiny Committee.
 - (iii) The Special Project Fund created by the new administration to fund public realm projects and support the delivery of other administration priorities. This is now supplemented by the Improvement & Resilience Fund linked to the delivery of administration priorities.

- (iv) A capital strategy again directed at administration priorities in particular increasing the supply of affordable housing.
- (v) An annual review of fees and charges.

Member and Officer Working Arrangements

- 4.5 Roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. For 2021/22 the administration has maintained the Cabinet system and the Cabinet consists of seven members who have responsibility for particular portfolios. The Cabinet members are supported by Deputy roles. In October 2021 the Council agreed to replace this system with a committee system which will come into effect in May 2022. A cross-party constitution review working group has developed proposals with respect to the detailed working of the new system.
- 4.6 The Council also appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These arrangements, and the delegated responsibilities of officers, are fully set out in the Council's Constitution.
- 4.7 The Constitution also includes both a Member and an Officer Code of Conduct, which describe and regulate the way in which members and officers should interact to work effectively together.
- 4.8 The Scrutiny Committee scrutinises decision-making and performance, and holds Cabinet to account for these; and a Policy Development and Review Committee, which does not have formal scrutiny powers but which provides a mechanism for non-Cabinet members to consider and feed into policy proposals before formal decisions are taken.
- 4.9 The Council's Audit Committee has a remit consistent with those identified in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities'. It provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework, and internal control environment. The Committee regularly reviews the internal audit work programme, the results of internal audit work, and management's implementation of audit recommendations.
- 4.10 A central role on governance issues is undertaken by the Council's three statutory officers; the Head of Paid Service, the Monitoring Officer and the Chief Financial Officer. As reported above a new Chief Financial Officer was appointed during 2021/22.
- 4.11 The Chief Executive (and Head of Paid Service) is accountable for the delivery of the Council's services, the work of the Council's employees, and the work undertaken for the Council by a variety of partners and contractors who deliver a wide range of services to the community. The role of Chief Executive is a permanent appointment, which requires the approval of the full Council and is currently held by Larissa Reed.
- 4.12 Section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 to the Local Government Act 2000, requires the Council to designate one of its senior officers as the Monitoring Officer. The Head of Policy, Communications and Customer Services Mr David Clifford is responsible for:

- (i) Ensuring that the Council acts and operates within the law. He has a duty to report to the whole Council if he believes any action or proposal has been or is likely to be contrary to the rule of law.
- (ii) Maintaining arrangements to support the Council's functions and activities, including regular reviews of the Council's Constitution.
- (iii) Dealing with complaints against members under the Code of Conduct, supporting the Council's Standards Committee, and helping to promote and maintain high standards of conduct by Council members, officers, partners and contractors.
- (iv) Establishing and maintaining registers of interests, gifts and hospitality for members and officers.
- (v) Receiving reports and taking action under the Council's Confidential Reporting Code, which supports whistleblowing by staff.

4.13 The Chief Financial Officer (CFO), as the Section 151 Officer appointed under the 1972 Local Government Act, carried overall responsibility for the financial administration of the Council. As a result of a reorganisation in 2021/22, the new role of Director of Resources assumed these responsibilities, with Lisa Fillery being appointed to this role in October 2021. The Council's governance arrangements relating to this role comply with those arrangements set out in the CIPFA statement on the role of the Chief Financial Officer in Local Government (2010).

4.14 The role of Head of Internal Audit is assigned to the post of the Head of Audit Partnership - an arrangement covering the three Mid Kent Services Councils and Ashford Borough Council. From January 2022 the position was covered by an interim Head of Audit. The partnership is in the process of replacing the position on a permanent basis. This role is responsible for the Council's internal audit service, including drawing up the Internal Audit Strategy and related annual plan, and giving the annual Audit Opinion. The Council's arrangements conform to Public Sector International Audit Standards, as independently assessed by the Institute of Internal Audit. The Standards are the "proper practices in relation to internal control" referenced in the Accounts and Audit Regulations 2015 (Amended). The Head of Audit Partnership's operational responsibilities are set out in the Internal Audit Charter and are consistent with the independence requirements set out in the Standards. The Head of Audit Partnership role also conforms to the principles set out in the CIPFA Statement on the Role of Head of Internal Audit (2019).

4.15 The Council has clearly set out terms and conditions for the remuneration of members and officers, and there is an effective structure for managing the process of review. A Scheme of Members' Allowances has been set by the Council, having regard to a report of an Independent Panel made up of non-Councillors. The Council sets and publishes a 'Pay Policy Statement' which provides transparency with regard to the Council's approach to setting the pay of its employees. The 'Pay Policy Statement' is reviewed annually.

4.16 All employees should have clear conditions of employment, and job descriptions which set out their roles and responsibilities.

Promoting Values and Upholding High Standards of Conduct and Behaviour

- 4.17 The Council has a Standards Committee to promote high standards of member conduct. Elected members have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties.
- 4.18 Officer behaviour is governed by the Officer Code of Conduct. The Code has been formulated to provide a set of standards of conduct expected of employees at work and the link between that work and their private lives.
- 4.19 The Council takes fraud, corruption and maladministration seriously, and as such has established policies and processes which aim to prevent or deal with such occurrences. These include:
- (i) An Anti-Fraud and Anti-Corruption Strategy.
 - (ii) A Whistleblowing Policy.
 - (iii) Various HR policies regarding discipline of staff involved in such incidents.
 - (iv) Various procurement policies.
 - (v) A corporate complaints procedure exists to receive and respond to any complaints received.
- 4.20 Arrangements exist to ensure that members and employees are not influenced in their decision-making by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
- (i) Registers of disclosable pecuniary and non-pecuniary interests;
 - (ii) Declarations of disclosable pecuniary and non-pecuniary interests at the start of each meeting in which discussions involve a matter in which a member has an interest;
 - (iii) Register of interests for officers;
 - (iv) Registers of gifts and hospitality for members and officers;
 - (v) An Equalities Scheme and Equal Opportunities Policies; and
 - (vi) Member induction and ongoing member training.

Taking Informed and Transparent Decisions and Managing Risk

- 4.21 The Council's decision-making processes are clear, open and transparent. The Council's Constitution sets out how the Council operates and the processes for policy and decision-making. Key as well as non-key executive decisions are published in the Council's Forward Plan. Agendas and minutes of all meetings are published on the Council's website.
- 4.22 The Council provides decision-makers with full and timely access to relevant information. The Cabinet report template requires information to be provided explaining the legal, financial and risk implications of decisions, as well as inter alia implications for the corporate priorities, and any equality and diversity implications.
- 4.23 The Council has a well embedded approach to the management of risk and this has been fully updated to reflect the priorities of the new administration. The Audit Committee maintains an oversight of the process.

Developing the Capacity and Capability of Officers and Members

- 4.24 The Council recognises that the success of its business is built upon the knowledge, expertise, and commitment of its workforce. Development and retention of staff therefore remains a priority for the Council. During 2021/22 a new system Check-In was introduced to streamline the staff management and performance appraisal process.
- 4.25 The council's new structure with two Directors and an additional Head of Service (time limited for two years) was implemented in 2021/22 with all post holders now recruited.
- 4.26 In October 2021, the council held a staff survey using the B-Heard Survey facilitated by Best Companies Ltd. The results ranked Swale within the top 100 companies to work for across the UK and within the top 10 for our sector. Whilst the results were positive, there are areas for improvement. The staff engagement panel and a member working group are working to devise a plan of action to address the areas where we need to improve.
- 4.27 The cross-party Member Development Working Group takes an overview of the approach to member development. It continues to operate to the principles which underpin the Member Development Charter.

Engagement with Local People and Other Stakeholders to Ensure Robust Public Accountability

- 4.28 The Council engages with partners and stakeholders through various partnerships to ensure collaboration on strategic issues and joint responsibility for working together for the benefit of the residents of Swale.
- 4.29 The Council also engages with the voluntary, community and business sectors, working closely with Swale CVS and communicating through the Swale Community Empowerment Network. It also disseminates and incorporates information about the Council within various e-bulletins and newsletters that go to these groups.
- 4.30 In addition, the Council uses a variety of corporate communications channels to engage with and inform local people about the work of the Council and its decisions including:
- (i) Ensuring the Council provides an accessible website for delivering online services, providing a comprehensive information source and easy access to transparency data.
 - (ii) Transparent processes for undertaking consultations, public meetings, Council and Committee meetings with free public access to consultation documents and responses, meeting agendas, reports and minutes via the Council website.
 - (iii) Publishing and distributing 'Inside Swale' magazine to 60,000 households every quarter to provide a trusted source of Council news and information.
 - (iv) Comprehensive use of official social media and email bulletins to promote the Council services and engage with stakeholders, responding to local peoples' comments, questions and concerns online.

- (v) Providing an 'Ask the leader' channel to enable any stakeholder the opportunity to engage directly with the leadership, with all questions and responses openly published on the Council website.

Outcomes and value for money

- 4.31 Much of this document is concerned with processes for governance and promoting internal control. But it is essential to consider to what extent do the organisation's governance arrangements support the achievement of outcomes and delivery of value for money.
- 4.32 From a financial perspective the 2021/22 outturn is an underspend. The elimination of Revenue Support Grant is highly disadvantageous to a Council such as Swale with both a low absolute level of Council tax, a relatively low Council tax base and high levels of need. The use by Government of deprivation as a major factor in allocating Covid funding has been hugely important for Swale. Given the highly constrained revenue budget the administration has continued to use one off funds to pump prime the achievement of their priorities.
- 4.33 Despite Covid dominating the Council's work in the year once again good progress has been made across a range of administration priorities:
 - (i) Constitutional reform - Area Committees established and work is well underway to establish the committee system from May 2022.
 - (ii) New Local Plan - – progressed statutory consultations with a view to progressing to submission to Secretary of State in early 2023 taking into account the Governments increased housing targets and the Borough capacity to meet its development needs
 - (iii) Local housing company - Rainbow Homes has been established to build affordable homes. Work is ongoing to revise the initial business plans that were produced pre Covid.
 - (iv) Homelessness and rough sleeping - more resources for prevention of homelessness and rough sleeping.
 - (v) Climate change emergency action plan.
 - (vi) Improvements to town centres, coastal amenities, open spaces, visitor attractions and heritage public realm in the borough.
 - (vii) Support to community projects across the borough.
 - (viii) Spirit of Sittingbourne project for Sittingbourne delivered, with proposals to let the last of the vacant units within the site.
 - (ix) An agreed way forward for the refurbishment of Swale House and the Masters House.
- 4.34 The 2022/23 budget position had looked extremely difficult with the ongoing financial impact of Covid and increased service provision in some areas needing to be

addressed. Heads of Service were given a 5% savings target of their staffing budget and proposed increases to fees and charges to be considered. Once final notification of government funding was received a lower than initially planned use of Reserves meant that a balanced budget was achieved. The Council faces a very significant funding gap for 2023/24 and is unlikely to benefit from significant extra Government financial support- this threatens both the delivery of core business and administration priorities. A savings plan will be included in the budget preparation and MTFP work for 2023/24 which is due to start much earlier for this reporting cycle to ensure that the budget gap is addressed in a timely manner.

CIPFA Financial Management Code

- 4.35 In October 2019 CIPFA published their Financial Management (FM) Code which “is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the FM Code sets out the standards of financial management for local authorities.
- 4.36 For the 2021/22 accounts the Council is required to disclose its compliance with the FM Code and identify any outstanding areas for improvement or change. Given the financial crisis all councils have faced due to Covid there has been relatively little attention paid to the Code. Swale compares well against the Code; however, the Chief Executive and Director of Resources will be leading on ensuring that the financial sustainability of the authority in the longer term will be addressed in the 2022/23 budget and medium term plan and reporting this to members.

5. Review of Effectiveness

- 5.1 The Council annually reviews the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, through the work of internal audit, and by comments made by the external auditors and other inspection agencies.
- 5.2 The processes applied in maintaining and reviewing the effectiveness of the system of governance include:
- (i) The work of the Audit Committee.
 - (ii) The work of the Standards Committee.
 - (iii) The role of the Scrutiny Committee in holding the Cabinet to account.
 - (iv) The operation of the Council’s performance management frameworks, including an Annual Report and the wider approach to risk management.
 - (v) The work of Internal Audit as an assurance function that provides an independent and objective opinion to the Council on its control environment.
 - (vi) The external auditor’s opinion report on the Council’s financial statements, and his conclusion on whether the Council has put in place proper arrangements to secure efficiency and effectiveness in its use of resources (the Value for Money conclusion).
 - (vii) The roles of the Council’s Statutory Officers.
 - (viii) The corporate complaints procedure.
 - (ix) The anti-fraud and corruption and whistleblowing framework.

5.3 In the 2020/21 Annual Governance Statement three main areas for attention moving forward were identified. The latest position on these is as follows:

Issue	Updated position
Delivery of a new senior management structure	The new senior management structure was appointed in 2021 and is developing into an effective delivery team.
Wholesale review of the constitution, possibly with a view to moving to a committee system but certainly including a significant stock-take of how well the constitution currently works to support robust decision-making and meaningful public engagement.	Council agreed the transition to committee system in October 2021. The constitution has been updated to reflect the new governance structure that was in place for the new civic year beginning May 2022.
More emphasis on prioritising delivery of administration ambitions better reflecting the capacity of the organisation	A new reporting framework for member priorities has been introduced. Regular progress updates are reported to members, with reprioritising of projects required to address capacity or issues with delivery.
Delivering our core and discretionary services with a balanced sustainable budget	The council's service provision for 2021/22 was delivered within budget, with a small underspend at outturn. A balanced budget was delivered for 2022/23, with work on the 2023/24 MTFP already underway.

6. Significant Governance Issues

6.1 There were no significant governance weaknesses in 2021/22.

6.2 The main areas for member and senior management attention in the coming year are:

- (i) Delivery of a smooth transition from Cabinet to Committee system.
- (ii) Produce a robust savings plan to support the delivery of a balanced budget.
- (iii) Develop a member-officer protocol to support good governance

Agreed:

Leader of the Council

Chief Executive

July 2022