

# **Folkestone & Hythe District Council**

Auditor's Annual Report  
Year ending 31 March 2025

January 2025



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 01 Introduction and context

# Introduction

This report brings together a summary of all the work we have undertaken for Folkestone & Hythe District Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

## Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

## Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

## Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

# Local government – context

Local government has remained under significant pressure in 2024/25

## National

### Past



#### Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



#### Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

## Local

Folkestone & Hythe District Council is one of 12 district and borough councils in the county of Kent, with a population of approximately 110,000 residents. The Council operates under a leader and cabinet executive model, which oversees the formation of major policies, strategies, and plans. This governance structure includes the Full Council and an Executive (Cabinet). The Council comprises 30 elected councillors, representing 13 wards across the district. Elections are held every four years, with the most recent taking place in May 2023. The current administration is under no overall control, with the Green Party holding the largest number of seats, followed by Labour, Conservatives, Independents, Liberal Democrats and Reform UK. Under the current local government reorganisation (LGR) agenda all Kent councils are expected to be replaced by a smaller number of new unitary councils by 1<sup>st</sup> April 2028.

**It is within this context that we set out our commentary on the Council's value for money arrangements in 2024/25.**

## Present



#### Financial Sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



#### External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.



#### Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.



#### Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

## Future

# Grant Thornton Insights – Local Government Reorganisation (LGR)

## National perspectives - devolution and LGR

In December 2024, the English Devolution White Paper set out the government's vision for a simpler form of local government. The intention is to produce better outcomes, save money for reinvestment in local services and to improve local accountability. All councils with a two-tier county and district system of local government (together with neighbouring small unitary councils) were required to set out the plans for a programme of devolution and local government reorganisation.

On 5 February 2025, the government's Devolution Priority Programme was announced to establish six new regional Mayoral Strategic Authorities. Those selected for the programme submitted plans by May 2025 with the ambition of holding Mayoral elections in May 2026.

On the same date, all remaining councils with a 2-tier were required to develop proposals to reconfigure county and district services into one or more new unitary councils. Plans are required to be submitted by 28 November 2025 with the ambition of establishing the new unitaries from April 2028.

## Local perspectives - LGR in the Kent region

In February 2024 the 14 councils in the Kent region (including Medway) were informed they would not be included in the Devolution Priority Programme. The move to a Mayoral Strategic Authority model for regional services would be delayed.

Kent councils submitted an interim plan for LGR in March 2025 and are currently developing a full proposal for submission by 28 November 2025. Governance arrangements are in place to manage the process, overseen by the Kent and Medway Joint Chief Officers group. A single external development partner has been appointed to develop options for consultation over the summer and autumn of 2025 and will support the development of the final proposals in November.

Our discussion with councils in the Kent region indicate a good level of collaboration between officers to progress the LGR agenda. Kent has a diverse political landscape and the political discussion is expected to become more challenging as the proposals crystallise, particularly in regard to the specific configuration of the new unitaries.

### Grant Thornton insight

#### What the Council is already doing

- Active participation of officers in the governance and options appraisal process.
- Consideration of LGR compatibility in contract renewal and capital investment decisions.
- The setting up of a £1m reserve to cover transitional costs associated with LGR
- Prioritising staff development and retention to maintain service delivery through the transition

#### The Council should consider

- Modelling potential outcomes to discuss with members and establish political priorities.
- Making advance preparations for member and public engagement within a tight timeframe.
- Making use of available guidance, including the “[Learning from the new unitary councils](#)” report by Grant Thornton.

## 02 Executive Summary

# Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	A No significant weaknesses in arrangements identified. No new improvement recommendations made, but two prior year improvement recommendations remain open.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified. No new improvement recommendations made, but prior year recommendation remains open.
Governance	A No significant weaknesses in arrangements identified, but two improvement recommendations made.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but two improvement recommendations made.
Improving economy, efficiency and effectiveness	A No significant weaknesses in arrangements identified, but three improvement recommendations made.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but one improvement recommendation made.
<p><b>G</b> No significant weaknesses or improvement recommendations.</p> <p><b>A</b> No significant weaknesses, improvement recommendation(s) made.</p> <p><b>R</b> Significant weaknesses in arrangements identified and key recommendation(s) made.</p>			

# Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



## Financial sustainability

The Council continues to manage its finances effectively although there are challenges in the medium-term financial position that need to be managed. The Council uses a four-year Medium Term Financial Strategy to forecast pressures, allocate resources, and test assumptions, supported by risk documentation, variance tracking, and a reserves strategy for short- and long-term needs. Budget setting uses a priority-based budgeting approach and financial planning aligns with strategic priorities through integrated strategies and quarterly monitoring. Capital programme slippage remains a challenge but has improved to 20%, and savings are managed through standard controls with councillor oversight. Arrangements are adequate overall, but we raised an improvement recommendation to address the projected £3.6m medium-term funding gap so that under LGR, the new unitary council inherits a sustainable financial position.



## Governance

The Council continues to implement effective governance arrangements. It has implemented effective arrangements for risk management, internal controls, and fraud prevention. Internal audit and counter-fraud services are delivered by East Kent Audit Partnership with positive assurance, and fraud prevention is underpinned by a formal framework and whistleblowing policy, with no material incidents reported. Budget-setting follows a structured process aligned to strategic objectives, supported by detailed estimates, officer and member scrutiny, and public consultation. Quarterly financial monitoring and treasury reporting support delivery of the budget and arrangements are in place to support informed decision-making by elected members. Governance is generally sound, with effective Cabinet and scrutiny processes, though we noted an opportunity to strengthen management of the shared waste contract and procurement practices.



## Improving economy, efficiency and effectiveness

The Council has put in place adequate arrangements to deliver value for money in its operational activity. The Council uses integrated financial and performance reporting, supported by a Performance Management Framework. This is supported by regular reviews by the leadership team and assurance from internal audit. A new system, TechnologyOne is being implemented to further improve financial management. Service performance and efficiency is supported by partnership governance arrangements and the monitoring of complaints. The Otterpool project is underway, and it will be important for members to review its progress closely. We note the decision to write off sunk costs for the abandoned Princes Parade project (£3.4m) was supported by a sound rationale, however it is unfortunate that value for money for this investment was not achieved, and lessons should be learned for future programmes.

# Executive summary – auditor's other responsibilities

This page summarises our opinion on the Council's financial statements and sets out whether we have used any of the other powers available to us as the Council's auditors.

## Auditor's responsibility

## 2024/25 outcome

### Opinion on the Financial Statements

Our audit of your financial statements is substantially complete, and we plan to issue an unqualified audit opinion following the Audit and Governance Committee meeting on 29 January 2026. Our findings are set out in further detail on pages 11-12.

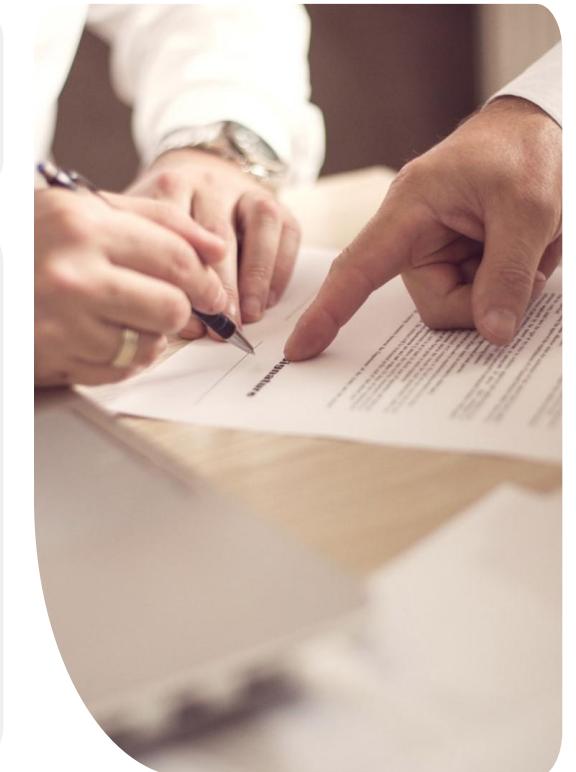
### Use of auditor's powers

We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014.

We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.



## 03 Opinion on the financial statements and use of auditor's powers

# Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

## Audit opinion on the financial statements

We plan to issue an unqualified opinion on the Council's financial statements following the Audit and Governance Committee meeting on 17 December 2025.

The full opinion will be included in the Council's Annual Report for 2024/25, which can be obtained from the Council's website.

## Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

## Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline of 30 June 2025.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

## Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report will be presented to the Council's Audit and Governance Committee on 29 January 2026. Requests for this Audit Findings Report should be directed to the Council.

# Other reporting requirements

## Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.



## 04 Value for Money commentary on arrangements

# Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



## Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

# Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>The Council identifies financial pressures through forecasting and strategic planning, using a four-year Medium Term Financial Strategy that incorporates inflation, interest rates, and economic volatility. It applies Priority Based Budgeting to focus resources on key services and uses sensitivity analysis to test assumptions. Risks are documented and mitigated, and variances in income and expenditure are tracked to refine future forecasts. Subsidiary performance and capital programme delivery are monitored to reflect external factors. A reserves strategy supports short-term pressures and long-term sustainability, with funds set aside for known risks like reorganisation and homelessness. Overall, the arrangements are adequate.</p> <p>An improvement recommendation from 2022/23 relating to a medium-term funding deficit was kept open in 23/24. This year, a medium-term funding gap has been identified with a cumulative deficit of £3.6m by 1st April 2028. We will close the old recommendation and open a new one with refreshed wording to reflect the fact that the Council now has less time to close the gap in the run up to LGR on the 1st April 2028.</p>	A
plans to bridge its funding gaps and identify achievable savings	<p>Savings are monitored through standard budgetary controls, and the 2024/25 outturn showed an underspend against budget, indicating sound financial management. Councillors are actively involved in financial decisions, and public consultation supports transparency in the savings process. These arrangements appear sufficient to identify and monitor achievable savings.</p>	G

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

# Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council's financial planning is aligned with its strategic priorities, as demonstrated by the Corporate Plan and Capital Strategy, which direct investment towards key objectives. Although the capital programme has experienced slippage, the reduction to 20% in 2024/25 reflects improvement, with external factors largely responsible for delays. Priority-Based Budgeting ensures resources are allocated to high-priority services, with active involvement from officers and members. These arrangements support sustainable service delivery and effective scrutiny of discretionary spend.	G
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council ensures consistency between its financial and strategic plans through an integrated approach, with the MTFS aligned to the Capital, Asset Management, and People Strategies. Major capital investments are rigorously appraised and support corporate priorities, with quarterly monitoring reinforcing oversight. Treasury and outturn reporting confirm alignment across financial and operational planning. No significant service redesigns or inconsistencies with other public bodies have been identified. The arrangements are adequate.	G
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	The Council has robust arrangements in place to identify and manage risks to financial resilience through its regularly updated Medium Term Financial Strategy (MTFS). Key risks such as funding reforms, inflation, and service demand are incorporated into both the MTFS and the corporate risk register, which is reviewed quarterly. Annual stress testing of financial assumptions and regular Cabinet reporting ensure that risks are monitored and addressed. These measures provide sufficient assurance that financial risks are being effectively managed.	G

**G** No significant weaknesses or improvement recommendations.

**A** No significant weaknesses, improvement recommendations made.

**R** Significant weaknesses in arrangements identified and key recommendation(s) made.

# Financial sustainability (continued)

## Area for Improvement identified: Medium Term Funding Gap

**Key Finding:** A medium-term funding gap has been identified, with a projected cumulative deficit of £3.6 million by 1 April 2028.

**Evidence:** This has been identified through review of the Council's Medium Term Financial Strategy.

**Impact:** We note that we have raised this issue in 2022/23, 2023/24 and 2024/25 and have considered whether sufficient action has been taken to address it.

On balance we have determined that this is not a significant weakness at this time due to the level of reserves available to manage the position (approximately £18m as at 31<sup>st</sup> March 2025).

However, this could be escalated if the Council does not take appropriate steps to place itself on a sustainable financial footing in the run up to LGR and is able to transfer an appropriate level of reserves to the successor council.

## Improvement Recommendation 1

**IR1:** A medium-term funding gap has been identified, with a projected cumulative deficit of £3.6 million by 1 April 2028. The Council must take steps to strengthen its financial position and ensure an appropriate level of reserves is available for transfer to the successor authority ahead of Local Government Reorganisation (LGR).



### Grant Thornton insight

#### Other Opportunities to Strengthen Financial Sustainability Governance:

- In 2024/25, capital spend was approximately 20% under budget, a significant portion of which relates to the 'Folkestone – A Brighter Future' project. The Council should monitor delivery more closely to identify potential slippage and take corrective action.
- The Council could enhance its financial reporting by incorporating a broader range of scenario analysis within documents provided to members. For instance, rather than relying solely on a mid-range assumption, the Medium Term Financial Strategy could illustrate the potential impact of varying council tax scenarios.

# Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Council has comprehensive arrangements to monitor risk and ensure internal controls are effective, including fraud prevention. A new Risk Management Policy was adopted in April 2025, with regular reviews of risk registers and planned staff training, allowing a prior improvement recommendation to be closed. Internal Audit and Counter Fraud services are delivered by East Kent Audit Partnership, with strong oversight, transparent reporting, and a positive assurance opinion for 2024/25. Fraud prevention is supported by a formal framework, whistleblowing policy, and Monitoring Officer oversight, with no material incidents reported. These arrangements are sufficient.	G
approaches and carries out its annual budget setting process	The Council's annual budget-setting process follows a structured, multi-stage framework that ensures alignment with strategic objectives and financial sustainability. Detailed estimates are developed with Service Managers and reviewed through officer scrutiny, committee engagement, and Cabinet approval. Budget guidelines issued in advance support consistency, and public consultation—though limited—adds transparency. The process incorporates financial trend analysis and is underpinned by the Medium Term Financial Plan. These arrangements are sufficient.	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	The Council has effective systems in place to ensure budgetary control and compliance with statutory financial reporting requirements. Quarterly monitoring reports provide detailed financial insights and are reviewed by scrutiny committees and Cabinet, supporting informed decision-making. Treasury management is governed by an approved strategy and regularly reported, while roles and responsibilities are clearly defined in the Council's constitution. There are no concerns regarding finance team capacity or reporting accuracy, and statutory deadlines have been met. These arrangements are sufficient.	G
<p><b>G</b> No significant weaknesses or improvement recommendations.</p> <p><b>A</b> No significant weaknesses, improvement recommendations made.</p> <p><b>R</b> Significant weaknesses in arrangements identified and key recommendation(s) made.</p>		Auditor's Annual Report Year ending 31st March 2025   19

# Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	<p>The Council has arrangements in place to support informed decision-making, with Cabinet meetings clearly structured and supported by detailed documentation and officer input. Scrutiny is embedded through dedicated committees that review reports and challenge assumptions prior to decisions being made. The Audit Committee also provides effective oversight, with members actively engaging and challenging officers and auditors.</p> <p>While governance is generally sound, an improvement recommendation has been raised regarding the shared waste contract with Dover, where Folkestone &amp; Hythe lacks sufficient authority to ensure service standards, see page 21. Subject to this issue, the Council's arrangements are otherwise adequate.</p>	A
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	<p>The Council has arrangements in place to uphold standards across its operations, including compliance with legislation, staff and member conduct, and procurement. Behavioural standards are governed by the constitution and Code of Conduct, with clear policies on declarations and complaints, although the referral of five cases to the Ombudsman suggests complaint handling could be strengthened.</p> <p>Procurement practices have shown weaknesses in the waivers process and in contract management, prompting an improvement recommendation to ensure reforms are implemented, see page 22. Subject to this procurement-related issue, the Council's arrangements are generally adequate.</p>	A

**G** No significant weaknesses or improvement recommendations.

**A** No significant weaknesses, improvement recommendations made.

**R** Significant weaknesses in arrangements identified and key recommendation(s) made.

# Governance (continued)

## Area for Improvement identified: Governance arrangements for shared services

**Key Finding:** Governance arrangements for the shared waste management contract with Dover are insufficient to ensure Folkestone & Hythe District Council receives the desired level of service.

**Evidence:** The contract is managed by Dover on behalf of both councils, leaving Folkestone & Hythe reliant on Dover for decisions and oversight. Internal audit identified weaknesses, including Veolia self-assessing performance without detecting defects, ineffective application of penalty clauses, and limited inspections restricted to weekdays despite weekend service needs.

**Impact:** These issues create financial inefficiencies, reduce service quality, and limit Folkestone & Hythe's ability to address local priorities, undermining accountability and effective contract management.

## Improvement Recommendation 2

**IR2:** We recommend that the shared governance arrangements covering the waste management contract are reviewed to identify governance improvements. The Council should also learn lessons and ensure that it has the ability to enforce service standards in shared contracts in the future.

# Governance (continued)

## Area for Improvement identified: Award of Contracts

**Key Finding:** The Council's procurement arrangements show weaknesses in the waivers process and contract management. Waivers are often driven by late engagement from budget managers and minimal justification, exposing the Council to contractual risk. Contract management suffers from an incomplete register, inconsistent compliance, and lack of systematic performance monitoring, compounded by limitations in the current finance system.

**Evidence:** Waivers were frequently required because contracts expired before new agreements were signed, leading to backdated agreements and reliance on goodwill. Officers sometimes failed to obtain three quotes due to time pressures, and strategic projects were prioritised without exploring alternative procurement routes. Contract management relies on manual processes with poor visibility and inconsistent reporting from service managers, and there is no centralised supplier performance monitoring. Both areas are expected to improve with the implementation of TechnologyOne and enhanced training.

**Impact:** These weaknesses increase the risk of non-compliance, financial exposure, and reputational damage. Limited oversight and inconsistent contract management hinder effective performance monitoring and strategic decision-making. Strengthening waiver controls, supplementing procurement resources, and completing the contract register review are essential to mitigate these risks and ensure robust procurement practices. Some of these weaknesses have been in place for a number of years and need to be urgently addressed.

## Improvement Recommendation 3

**IR3:** We have identified issues with how contracts have been managed and with how the waivers process works. The proposed improvements in the waiver strategy report should be adhered to. Additionally, resource within the procurement team should be supplemented, and the (ongoing) review of the contract register should continue.

# Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	Folkestone & Hythe District Council uses integrated financial and performance reporting to assess effectiveness and identify areas for improvement. Quarterly reports, aligned with strategic objectives, are reviewed by senior leadership and committees, and include both financial and non-financial data. A Performance Management Framework and Data Quality Strategy support data reliability, and independent audits provide assurance on financial accuracy. The Council is implementing a new system (TechnologyOne) to enhance data integration, and current internal arrangements are considered sufficient. No additional risk-based procedures are required.	G
evaluates the services it provides to assess performance and identify areas for improvement	Folkestone & Hythe District Council evaluates its services and identifies areas for improvement through regular performance and complaints reporting. The Annual Complaints Report shows a significant reduction in complaints and includes self-assessments against ombudsman codes, with improvements endorsed by Cabinet and governance bodies. We are satisfied that the Council's arrangements are adequate.	G
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	Folkestone & Hythe District Council has structured arrangements to support its role in significant partnerships and engage stakeholders to assess progress against objectives. Overall, the arrangements are sufficient and no further risk-based procedures are required.	G

**G** No significant weaknesses or improvement recommendations.

**A** No significant weaknesses, improvement recommendations made.

**R** Significant weaknesses in arrangements identified and key recommendation(s) made.

# Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
commissions or procures services, assessing whether it is realising the expected benefits	<p>Folkestone &amp; Hythe District Council has arrangements in place to assess whether commissioned or procured services deliver expected benefits. Major projects like Otterpool Park are actively monitored through updated business plans and Cabinet oversight. However, governance issues have been identified in the shared waste contract with Dover (captured in governance section, see page 21).</p> <p>The Princes Parade project has been formally closed after the Council determined it could not meet planning consent requirements, resulting in a £3.4 million write-off. This financial impact will be covered by the Financial Stability Reserve, ensuring no broader destabilisation of the Council's finances. We note the final decision to write off sunk costs for the abandoned Princes Parade project was supported by a sound rationale, however it is unfortunate that value for money for this investment was not achieved, and a review needs to take place so that lessons should be learned for future programmes. An improvement recommendation will therefore be raised, see page 25.</p>	A

**G** No significant weaknesses or improvement recommendations.

**A** No significant weaknesses, improvement recommendations made.

**R** Significant weaknesses in arrangements identified and key recommendation(s) made.

# Improving economy, efficiency and effectiveness (continued)

## Area for Improvement: Management of Capital Projects

**Key Finding:** The Princes Parade scheme is being formally closed after the Council determined it could not meet planning consent requirements. The project will not proceed, and approximately £3.4 million in sunk costs will be written off in the 2025/26 financial statements. While informal discussions occurred, there is no formal documentation of the decision, and an improvement recommendation is required to review the decision-making process.

**Evidence:** Consultation confirmed the scheme could not satisfy planning conditions, leading to its termination. The write-off will be funded from the Financial Stability Reserve, ensuring no wider financial instability. Discussions were held at informal Cabinet meetings and referenced during budget and reserve reviews, but no formal paper has yet been presented. Officers indicated further documentation may appear in capital programme reporting.

**Impact:** The write-off represents a significant financial loss and highlights weaknesses in project governance. Without lessons learned and improved oversight, similar failures could recur, increasing financial and reputational risk. A formal review of the decision-making process and strengthened controls for major projects are essential to prevent future write-offs.

## Improvement Recommendation 4

**IR4:** We recommend that a lessons learned exercise on Princes Parade should be undertaken to try to distil learning points for future projects. These lessons should then be embedded and communicated to members and the public.



### Grant Thornton insight

#### Benchmarking

: Consider making greater use of benchmarking to inform decision-making and improve performance comparisons. This could involve, where appropriate, accessing external resources. The aim is to leverage benchmarking as a tool for identifying best practices and opportunities for improvement

# 05 Summary of Value for Money Recommendations raised in 2024/25

# Improvement recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>IR1</p> <p>A medium-term funding gap has been identified, with a projected cumulative deficit of £3.6 million by 1 April 2028. The Council must ensure an appropriate level of reserves is available for transfer to the successor authority ahead of Local Government Reorganisation (LGR).</p>	<p>Financial Sustainability (pages 16 – 18)</p>	<p>Actions: The identified budget gap relates to the MTFS presented to Council in February 2025. A new MTFS forecast will be presented in February 2026. As at 1 April 2025, the Council holds £5.9m general fund general reserves and £15m earmarked reserves within the general fund. Earmarked reserves will be used appropriately for revenue and capital expenditure in accordance with the Council's financial procedure rules.</p> <p>Responsible Officer: Alan Mitchell (s151 Officer)</p> <p>Due Date: 01/04/2026</p>
<p>IR2</p> <p>We recommend that the shared governance arrangements covering the waste management contract are reviewed to identify governance improvements. The Council should also learn lessons and ensure that it has the ability to enforce service standards in shared contracts in the future.</p>	<p>Governance (pages 19 – 22)</p>	<p>Actions: The Council will review the internal audit findings and implement appropriate governance controls, including those that relate to service levels.</p> <p>Responsible Officer: Andrew Rush</p> <p>Due Date: 01/07/2026</p>

# Improvement recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>We have identified issues with how contracts have been managed and with how the waivers process works. The proposed improvements in the waiver strategy report should be adhered to. Additionally, resource within the procurement team should be supplemented, and the (ongoing) review of the contract register should continue.</p>	<p>Governance (pages 19 – 22)</p>	<p><b>Actions:</b> Prior to commencement of the audit, the Council had already taken forward a new waiver strategy to Members of the Audit and Governance Committee (July 2025) to improve the handling of waivers.</p> <p>Furthermore, additional resource has already been brought in to conduct a review of the contracts register to ensure completeness ahead of the migration to the new financial management system due to go live in April 2026. It is expected that the new system will support revised Council wide processes and improve efficiency within Procurement, not available with the current system.</p> <p>The Financial Procedure Rules are due to be revised in 2026 which will further reduce the reliance on waivers, with appropriate revised limits reducing their volume.</p> <p><b>Responsible Officer:</b> Jonathan Smith</p> <p><b>Due Date:</b> 01/07/2026</p>
<p>We recommend that a lessons learned exercise on Princes Parade should be undertaken to try to distil learning points for future projects. These lessons should then be embedded and communicated to members.</p>	<p>Improvement economy, efficiency and effectiveness (pages 23 – 25)</p>	<p><b>Actions:</b> The Princes Parade project was a strategic project that was led by a former administration. Officers acted properly in support of the previous administration's strategic projects which were curtailed due to macroeconomic conditions in 2022. Since this time, consideration has been given to the best use of the asset, culminating in a decision not to proceed in June 2025 by the new administration which was elected in May 2023. A lessons learned exercise will be conducted.</p> <p><b>Responsible Officer:</b> Corporate Leadership Team</p> <p><b>Due Date:</b> 01/07/2026</p>

# 06 Appendices

# Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council's Value for Money arrangements

## Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

## Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

## Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.



### A range of different recommendations can be raised by the Council's auditors as follows:

**Statutory recommendations** – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

**Key recommendations** – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

**Improvement recommendations** – actions which are not a result of us identifying significant weaknesses in the Council's arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

## Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year

Key performance and risk management information reported to the Executive or full Council

Interviews and discussions with key stakeholders

External review such as by the LGA, CIPFA, or Local Government Ombudsman

Progress with implementing recommendations

Regulatory inspections such as from Ofsted and CQC

Findings from our opinion audit

Annual Governance Statement including the Head of Internal Audit annual opinion

# Appendix C: Follow up of 2023/24 and 2022/23 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	Embed risk management throughout the organisation, beginning with consistent and regularly updated directorate and project risk registers, with a clear escalation route alongside appropriate mandatory training for all staff.	2023/24	The Council adopted its updated Risk Management Policy and Strategy on 2 April 2025. It presented updates to the Corporate Risk Register to key governance bodies in July and scheduled further updates for November and December. New service plan risk register templates were implemented in April and June, with risk management training planned for December as part of the management development programme.	Risk management now embedded throughout the organisation to an acceptable level.	<b>Improvement recommendation closed –</b> No further work required.
IR2	The Council should continue focus on strengthening the finance team and financial reporting processes, to ensure key finance staff do not become single points of failure.	2023/24	The finance team was reviewed in July 2025 by the new Director of Finance, focusing on resilience and reducing single points of failure. Following consultation, a new structure was implemented in October with an increase of two full-time roles, and recruitment is ongoing with the Chief Accountant	Lack of capacity within the finance team has not been noted by the 24/25 audit team.	<b>Improvement recommendation closed –</b> No further work required.
IR3	Financial and non-financial performance should be integrated in order to provide a comprehensive overview of Council performance. This can presentation of each report at the same meetings, or in the form of a combined report.	2023/24	Quarterly financial and performance reporting has been established through the Finance & Performance Scrutiny Sub-committee and Cabinet. Reports for Q1 and Q2 have been presented on scheduled dates, and the Corporate Plan 2025–30 includes actions to ensure timely reporting. Monthly directorate scorecards also track finance performance indicators.	Financial and non-financial performance is now integrated.	<b>Improvement recommendation closed –</b> No further work required.

# Appendix C: Follow up of 2023/24 and 2022/23 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR4	All officers should understand their responsibilities in procurement and contract management, and the Council must ensure a complete contract register and pipeline is in place. We recommend updated mandatory training for all officers on these areas.	2023/24	<p>Procurement team are currently performing a full review of the contract register and reconciling data to activities.</p> <p>The Council is due to implement a new finance system in April 2026. As part of this, all financial processes are being reviewed/revised to align to the new system, including contract management and procurement to ensure workflows are built into the system.</p> <p>Training will be provided to all staff on the new processes and system as part of this rollout.</p>	Improvements to contract management are ongoing. In the 24/25 audit we have also identified issues with the use of waivers.	<b>Improvement recommendation closed</b> – New improvement recommendation raised covering contract management and the waiver process (see page 21).
IR5	The Council should ensure they have effective complaints process in place including the provision of satisfactory remedies to reduce likelihood of referral to the Ombudsman. By addressing and resolving resident concerns in an effective manner this can help to build trust, enhance service delivery and demonstrate a commitment to responsiveness and improvement.	2023/24	<p>The Customer Feedback and Complaints Policy was adopted by Full Council in April 2025, with annual reporting presented to Cabinet in September, including self-assessments and governance responses. Regular updates on complaint volumes and outcomes are reported to internal governance bodies and the Member Responsible for Complaints. Complaints performance indicators are also included in quarterly reports.</p>	New policies are in place and there has been a significant reduction in complaint volumes compared to the previous year, with Stage 1 complaints falling by 43% and Ombudsman enquiries and investigations reducing by 50%.	<b>Improvement recommendation closed</b> – No further work required.

# Appendix C: Follow up of 2023/24 and 2022/23 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	<p>The Council should consider plans for managing the MTFS funding gap that reduces reliance on the use of reserves, which should include plans for identifying and delivering further savings and efficiencies. There should be regular detailed ongoing monitoring of savings plans to highlight likelihood of delivering challenging savings targets. We recommend that quarterly budget monitoring reports contain detailed savings delivery updates.</p>	2022/23	<p>Quarterly updates have continued to be provided to Cabinet throughout 2024-25. The Council introduced monthly management reporting for the Corporate Leadership Team in April 2024, which included savings targets (which are built into the revenue budget through the Priority Based Budget approach).</p> <p>However, there is still a gap over the medium-term and the Council has identified that reserves may be needed in future years.</p>	<p>A medium-term funding gap has been identified with a cumulative deficit of £3.6m by 1st April 2028.</p>	<p><b>Improvement recommendation will be closed-</b> However, a new recommendation will be raised with refreshed wording to reflect that the Council now has less time to close the gap prior to LGR. (see page 18).</p>
IR2	<p>The Capital Programme supports strategic priorities and should be categorised by Council Plan outcomes to show clear alignment. The Council must continue monitoring delivery closely to identify slippage and take corrective action.</p>	2022/23	<p>The new Corporate Plan was agreed by Council on 25 June 2025. Monitoring of the capital programme is now provided through quarterly monitoring reports to Cabinet.</p>	<p>The provisional capital outturn for 2024/25 was £13.576m, an underspend of £3.474m against the £17.050m budget.</p>	<p><b>Improvement recommendation downgraded to an 'Insight'</b> (see page 18) – Slippage of only 20% marks an improvement on the previous year.</p>

# Appendix C: Follow up of 2023/24 and 2022/23 improvement recommendations

Prior Recommendation	Raised	Progress	Current position	Further action
IR7 The Council should fully action recommendations set out by Internal Audit in its Contract Management follow up review, and that the action plan should have implementation timescales, and appropriate resources in place to manage these processes.	2022/23	A new finance system was scoped for procurement, with a selection process taking place at the end of 2024/25. A review of all financial processes is to be conducted as part of the new implementation.	Improvements to contract management are ongoing. In the 24/25 audit we have also identified issues with the use of waivers.	<b>Improvement recommendation closed</b> – New improvement recommendation raised covering contract management and the waiver process (see page 21).



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