

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOLKESTONE AND HYTHE DISTRICT COUNCIL (the "Authority")

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2019 issued on 31 July 2019 we reported that, in our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as of 31 March 2019 and of the Authority's expenditure and income for the year then ended.
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Issue of qualified conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

In our audit report for the year ended 31 March 2019 issued on November 19th, 2020, we reported a qualified conclusion in the following terms:

Qualified Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller & Auditor General in April 2020, except for the effects of the matters described in the basis for qualified conclusion section of our report we are satisfied that, in all significant respects Folkestone and Hythe District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for Qualified Conclusion

East Kent Housing was set up in 2011 as an Arm's Length Management Organisation ("ALMO") to manage and maintain the housing stock of 17,000 dwellings for four east Kent councils including Folkestone and Hythe District Council. ALMOs were created to allow for a dedicated housing focus to meet the needs of tenants and leaseholders rather than it being one of a number of corporate priorities for individual councils. The Council retained ownership of the stock and the ultimate responsibility for providing safe, secure housing to meet the needs of stakeholders and complies with relevant legislation.

During 2018/19 it emerged that a contract with P and R Installation Services ('P and R') was not operating effectively; there were allegations of overcharging and non-performance from the contractor. More significantly, failures to ensure that legal requirements were met in respect of completing gas safety inspections were identified towards the end of the financial year. The Monitoring Officer reported the Council's breach of law to Cabinet and the Council self-reported the breach to the Housing Regulator.

The fact that P and R gave notice on their contract at the end of March 2019 suggests that the overall relationship was not effective and has led us to the clear outcome that because of the seriousness of the matters emerging from the management of this contract, the Council's value for money arrangements in this regard were not adequate in 2018/19. There were strong claims and counter claims between the Councils and P and R which suggests a combination of poor data, poor management of the contract and an understandable desire on the part of the Councils to move on.

Certificate

In our report dated 19th November 2020, we explained that we could not formally conclude the audit on that date until we had completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Local Audit and Accountability Act 2014. These matters have now been dealt with.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave a qualified opinion and conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

We certify that we have completed the audit of the financial statements of Folkestone and Hythe District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office on behalf of the Comptroller and Auditor General.

Paul Dossett

Paul Dossett, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

11 August 2021